ROMANIA
CATCHING-UP
REGIONS

ORGANIZATIONAL MODELS FOR
INTERJURISDICTIONAL AGREEMENTS
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This report has been delivered in September 2019, under the Administrative Agreement No. 2019CE160A07020 (under TF073325) on the Romania Multi-municipality Financing Program, signed between the European Commission and the International Bank for Reconstruction and Development. It corresponds to Output 4 in the above-mentioned agreement.
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Abbreviations and Acronyms

AA Administrative Agreement
AFM Environment Fund Administration
ANFP National Public Functionaries Agency
ANIF National Land Improvement Agency
ANH National Housing Agency
ANOFM National Employment Agency
CLLD Community-Led Local Development
CNi National Investment Company
EBRD European Bank for Reconstruction and Development
ESF European Social Fund
ESFI European Fund for Strategic Investments
ESIF European Structural and Investment Funds
ERDF European Regional Development Fund
ESRON European Spatial Observation Network
EU European Union
FS Feasibility Study
FU Area Functional Urban Area
GDP Gross Domestic Product
GIS Geographic Information System
GoR Government of Romania
IB Intermediate Body
IDA Intercommunity Development Association
ITI Integrated Territorial Investment
IUDP Integrated Urban Development Plans
IUDS Integrated Urban Development Strategy
JRC Joint Research Center
LAG Local Action Group
MA Managing Authority
MC Ministry of Culture
MEN Ministry of Education
MS Ministry of Health
MW52 Ministry of Work and Social Justice
MRDPA Ministry of Regional Development and Public Administration
MT Ministry of Tourism
NGO Non-governmental organization
PPP Public-Private Partnership
PNCDI National Research & Development and Innovation Program
PNDL National Local Development Program
PUG General Spatial Plan (Plan Urbanistic General)
PUZ Zonal Urban Plan (Plan Urbanistic Zonal)
RAS Reimbursable Advisory Services Agreement
RDA Regional Development Agency
ROP Regional Operational Programme
SUD Sustainable Urban Development
SUMP Sustainable Urban Mobility Plan
TAU Territorial Administrative Unit
TP Trust Fund
TP Technical Project
UA Urban Authority
WB World Bank
Acknowledgements

This report has been delivered under the provisions of the Administrative Agreement on the Romania Multi-municipality Financing Program and prepared under the guidance and supervision of David N. Sislen (Practice Manager, Social, Urban, Rural and Resilience, Europe and Central Asia) and Tatiana Proskuryakova (Country Manager, Romania and Hungary). This report was developed by a team under the coordination of Paul Kriss (Lead Urban Specialist) and made up of Marcel Ionescu-Herou (Senior Urban Development Specialist), Marian Cristea (Senior Urban Development Specialist), Yondela Silimela (Senior Urban Specialist), Sylwia Borkowska-Waszk (Senior Urban Development Specialist), Ioana Ivanov (Senior Urban Development Specialist), Nic Tarâlnu (Lead Urban Development Specialist), Sorina Racoviceanu (Lead Urban Specialist), Reinhold Stadler (Senior Urban Development Specialist), Daiana Ghintială (Urban Development Specialist), Maria-Magdalena Manea (Operations Specialist), Adina Vintan (Operations Specialist), and George Moldoveanu (Information Assistant).

The team would like to express its gratitude for the excellent cooperation, guidance, and feedback provided by the representatives of the European Commission, the representatives of the Romanian Ministry of Regional Development and Public Administration, the representatives of the Romanian Ministry of European Funds, and the multitude of local and regional actors who have helped with the development of this report.
This report is part of a body of work that looks at various aspects of interjurisdiction cooperation, from assessing sectors/areas for interjurisdictional cooperation in Romania to exploring international case studies and drawing key lessons to inform the 2021-2027 Programming Period, with a focus on the 39 Article 7 urban areas.

The report first examines how the Sustainable Urban Development (SUD) approach has been applied across the European Union (EU) and analyzes several case studies in more depth. It then examines organizational models that have been used in Romania to date and concludes by making recommendations on how these can be further refined to enhance their performance. The case studies in the report focus primarily on EU countries that had substantial SUD 2014-2020 allocations, or innovative SUD approaches.

It should be noted from the outset that Romania had both one of the largest SUD 2014-2020 allocations, and at 11%, one of the highest ERDF allocations for these types of interventions, exceeding the minimum 5% mandate by the ERDF Regulation. This is a good approach that should be continued for the 2021-2027 Programming Period.
However, the Romanian SUD approach also has a number of deficiencies, such as:

- Interventions and projects emanating from interjurisdictional agreements did not have specific eligibility provisions, as such funding went primarily to core cities.
- The average allocation per urban area has been relatively low compared to other countries – i.e. around 30 million euros per urban area in Romania, as opposed to 138 million euros in Czech Republic or 133 million euros in Poland.
- During the 2014-2020 Programming Period and under the SUD financing window, Romanian urban areas could only undertake interventions for four thematic areas, which is significantly less than in some other countries (e.g. Polish urban areas had access to 39 thematic areas), meaning that Romanian urban areas, with much larger needs, could not support all necessary interventions through the SUD approach.
- The bureaucratic burden to access SUD funds may be considered disproportionate in relation to the funds available.
- There is a lack of resource concentration, with large urban areas receiving similar amounts to those of small urban areas (for the same thematic areas), although the needs vary significantly. For example, Constanța, with around 550,000 people residing in the functional urban area, had access to 47 million euros under the SUD – as compared to the 22 million euros available for the Sfântu Gheorghe urban area, with only 85,000 people.

Looking at the various ways in which EU countries have used the SUD approach to finance interjurisdictional agreements can provide useful ideas for how the Romanian SUD approach could be improved during the 2021-2027 Programming Period. Some key take-aways from the comparison are included below:

- **Increased resource allocation and flexibility** - Poland relied primarily on the Integrated Territorial Investments (ITI) tool for implementation of the SUD, with 24 metropolitan areas and urban agglomerations receiving support through this tool. Poland not only had a higher resource concentration for each metropolitan area / urban agglomeration, but also access to a higher number of interventions, and a greater flexibility in using EU funds. This greater flexibility was also made possible by a regional approach, consisting of 16 Regional Operational Programmes (ROPs) under which the ITIs was nested. In comparison, Romania had only one such program.
- **Diversity** - Italy has the most diverse SUD approach of any EU country. It has a national OP for metropolitan areas, providing financing to 14 major metropolitan areas in the country. In addition, 21 regions have implemented the SUD either through ITIs or a dedicated priority axis under their regional OP. Italy and Slovenia are also the only two countries in the EU that are jointly implementing a cross-border ITI.
- **Multiple funding sources** - the Czech Republic had an OP dedicated to the Prague Metropolitan area, and seven ITIs dedicated to the country’s largest metropolitan areas and urban agglomerations. The Prague ITI, while located under the OP Prague – Growth Pole also accessed funding from other OPs.
- **Targeting and cross-regional implementation** - Spain used a similar approach to Romania, with the SUD being implemented through a priority axis under the national ROP. However, the allocation of funds was targeted – with three key priorities: municipalities with ca. 20,000 inhabitants; targeting areas with demonstrable deprivation; and development of integrated plans for areas with demographic and economic handicaps. Spain also managed to easily implement ITIs across regions, which is an important lesson for Romania.
- **Strong monitoring and evaluation** - in the 2014-2020 period, France allocated 10% of ERDF/ESF to ISUD initiatives and between the 2007-2013 and 2014-2020 Programming Periods, tripled the number of participating urban territories. This points to a maturing policy and fiscal focus on the urban agenda. With this maturity also came a refinement of the monitoring and evaluation measures put in place. For instance, there is a dedicated coordinating structure for ISUD, which issues a list of suggested indicators covering demographics, housing, employment, etc. Monitoring and evaluation are typically undertaken by multiagency monitoring and control committees, and lessons from these interventions are seen as best practices that should be incorporated into all other projects.
- **Sectoral integration** - Portugal implements the SUD through four Regional Operational Programmes focused on strengthening metropolitan areas and promoting urban regeneration in top-level urban centers. The Integrated Urban Development Strategies (IUDS) have to draw on three pre-existing plans: Mobility Plans, Urban Regeneration Action Plans, and Integrated Action Plans for Disadvantaged Communities.
- **Decentralization** - Germany has a highly decentralized approach, in which the SUDs implementation is decided by each of the 16 regional governments. This includes the use of the ITI tool, dedicated priority axes under the Regional Operational Programmes, and competitive calls for IUDS implemented through mixed priority axes.
- **Thematic focus and innovation** - Finland’s SUD approach focused on an ITI formed by the country’s six largest cities (Helsinki, Espoo, Vantaa, Oulu, Tampere, and Turku). The primary aim of the ITI strategy is to strengthen Finland’s competitiveness by using the largest cities as the development and testing environments for innovations. The approach is thematically focused, given the small sums each city can access (an average of 6.6 million euros per city).
- **Multi-stakeholder engagement** - the UK has taken a decentralized approach to SUD implementation, with Local Enterprise Partnerships (partnerships between local administrations, private sector, NGOs, and other local actors) in charge of developing SUD strategies. The SUD strategies are delivered through ITIs in the core urban areas (i.e. urban areas with more than 600,000 people, which include London, Birmingham, Bristol, Leeds, Liverpool, Nottingham, Manchester, Newcastle, and Sheffield), focusing on functional urban areas rather than just the core cities.

1) Improving the physical and social dimension of urban areas (Sustainable Cities) – corresponding to TO4 and TO6; 2) Improving the economic dimension and competitiveness of urban areas (Smart Cities) – corresponding to TO2 and TO9; 3) Improving the social dimension of urban areas (Inclusive Cities) – corresponding to TO9.
From these various EU case studies, a number of lessons were gleaned and recommendations made for the Romania SUD 2021-2027 approach. The recommendations are structured around the following four major pillars:

1. **More RESOURCES** - it has been established that urban areas are engines of national economic growth and should therefore receive attention, resources, and support commensurate with this role. The more resources proposition has two dimensions – increased quantum of money directed to urban areas and improved concentration of investment.

   - **Increased quantum of investment targeting urban areas**: it is estimated\(^1\) that for the 2021-2029 Implementation Period, municipalities could (sustainably) undertake capital investments of around 16 billion euros. SUD 2021-2027 funding would only cover a small portion of those needs. Thus, at 6% of ERDF/ESF, this would equate to only 1.039 billion euros, 11% would equate to 1.905 billion euros, and 15% would equate to 2.598 billion euros.

   - **Improved concentration of investment**: investment decisions have typically pursued a balanced investment logic. However, SUD funding that tracks areas with high population densities, greatest need, and potential to contribute to both national economic growth and retard population outmigration – have much higher investment impact. Further, investment should not only be concentrated in large cities but should follow functional urban areas to better optimize the inter-dependencies that characterize urban areas and their peri-urban neighbors.

2. **More DIVERSITY** - one of the key lessons from the case studies is the limiting effect of confining the thematic areas under which interventions could be framed. It is proposed that SUD in the 2021-2027 Programming Period should support more of the following diversities:

   - **Thematic diversity**: informed by local realities but responding to the national growth agenda.
   - **Territorial diversity**: focusing not only on core cities and driving an integrated development agenda informed by a careful analysis of functional urban areas and their needs to improve their environmental and socio-economic performance.
   - **Organizational diversity**: Romania has three urban typologies: capital cities that are large urban areas with more than 200,000 inhabitants, and urban areas with less than 200,000 inhabitants. It is recommended that in the next programming period, lessons be drawn from the Czech Republic approach, which created a specific OP for Prague – consideration to be given to Bucharest-Ilfov region to have a specific OP to better respond to its specific development needs given its role in the national and regional space economy. This focus should not be at the expense of other urban areas – there is a clear role for magnet cities to drive national economic growth and these require specific and targeted support.

3. **More FLEXIBILITY** - in organizational, cooperation, and operating models.

   - **Organization flexibility**: could include the determination of metropolitan areas, where, on the basis of a well-articulated integrated metropolitan plan with greater thematic diversity programs and projects of metro-wide scale could be conceptualized (through participatory processes) and funded directly, without going through competitive processes.
   - **Cooperation flexibility**: in the choice of legal instruments adopted, from the use of existing structures for less complex and lower capacity areas, to more complex organizational approaches for complex projects.
   - **Operating flexibility**: key is the ability to adjust programs and interventions in response to changing operating environment.

4. **More DECENTRALIZATION**: the Romanian system remains highly centralized. There is evidence of improved performance (development results as well as absorption of funds) in decentralized and well-capacitated areas.

   - **Regional decentralization**: this would entail the creation of Regional Operation Programmes (ROPs) with the authority to determine and approve interventions and projects.
   - **Local decentralization**: enable more extensive involvement of local administrations and establishment of local Intermediate Bodies (IBs). This will require concerted capacity building efforts and resources.
   - **Citizen engagement**: refinement and deployment of citizen engagement tools as well as directing capacity building resources to this.

To anchor the above considerations in program design to further strengthen Romania’s urban driven-growth agenda, the design of the 2021-2027 SUD should consider the following options:

**Option 1.**
Dedicated axis under the ROP 2021-2027 as is the case now, but with a higher concentration of funds targeted at urban areas, and with the possibility of interjurisdictional agreements or project-based partnerships eligible for EU funding Local administrations that choose to pursue functional urban area approaches can be incentivized through premium allocations or funding lines could be dedicated to strategic projects impacting metropolitan areas. Urban jurisdictions should also have a wider menu of intervention fields to choose from – in response to specific challenges or opportunities they want to exploit.

**Option 2.**
A Metropolitan Areas’ Operational Programme (OP) dedicated to growth and development poles from the 2007-2013 Programming Period (following the Italian model), with a higher thematic

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\(^1\) World Bank, 2014. Identification of project selection models for the Regional Operating Programme 2014-2020
diversity, and with eligibility open for all territorial administrative units that are part of the metropolitan area / functional urban area of these growth poles and development poles. One or several axes under this OP could be dedicated to interjurisdictional projects that respond to metropolitan or urban agglomeration dynamics. Projects under these axes could be negotiated and prioritized ahead of time and not be subject to competitive selection. All other urban areas could have a dedicated axis in the ROP 2021-2027, similar to the current Axis 13 of the ROP 2014-2020. In addition, for targeted issues, urban areas should have the possibility to form Local Action Groups (LAG), with other local administrations, private sector representatives, and/or NGOs. Also, as is the case for the SUD 2014-2020, for thematic areas that are not included specifically in the Metropolitan Areas OP, local administrations should be allowed to access funding from other OPs.

Option 3.

ITIs for the seven growth poles, with around 50% of total SUD funding. Another 50% allocated for the other 32 county capitals under a dedicated priority axis under the ROP (similar to the current Axis 4, but with the adjustments discussed under Option 1). All the other urban areas could have a dedicated axis under the ROP 2021-2027, similar to the approach currently used with Axis 13 of the ROP 2014-2020. For targeted issues, urban areas should have the possibility to form LAGs, with other local administrations, private sector representatives, and/or NGOs. For thematic areas that are not included specifically in the dedicated axes, local administrations should be allowed to access funding from other OPs.

Option 4.

Urban Development Operational Programme for the current 39 Article 7 urban areas. As discussed under Option 1 and 2, dedicated priority axes should be made available for strategic projects with metropolitan impact. A dedicated priority axis under the ROP 2021-2027 would be available for small urban areas, with an approach similar to the current Axis 13 of the ROP 2014-2020. For targeted issues, urban areas should have the possibility to form LAGs, with other local administrations, private sector representatives, and/or NGOs. For thematic areas that are not included specifically in the dedicated axes, local administrations should be allowed to access funding from other OPs.

Option 5.

Regional Operational Programmes, with the SUD approach decided individually for each region (as is the case in Italy). Several sub-options can be considered, as follows:

Option 5.1. Eight Regional Operational Programmes with the regional Managing Authority (MA). Within this option, the function and attributions of the MA are transferred at the regional level to RDAs, taking over some areas from the current nationally managed Operational Programmes.

- According to Article 65, Paragraph 1 from the Cohesion Policy proposal, “the Member State shall identify for each programme a managing authority and an audit authority.” The Ministry of European Funds, as national coordinator, could, for example, identify Regional Development Agencies (RDA) as MAs for the eight Regional Operational Programmes (ROP). In accordance with Annex XIV of the Cohesion Policy proposal, the status of the managing authority can be that of a national, regional or local public body, or that of a private entity.

- Based on Article 65, Paragraph 3, the regional MA “may identify one or more intermediate bodies to carry out certain tasks under its responsibility.”

- Depending on the SUD approach decided at the regional level, local administrations could play the role of intermediary bodies. Article 23, Paragraph 4 indicates that “where an urban, local or other territorial authority or body carries out tasks falling under the responsibility of the managing authority other than the selection of operations, the authority shall be identified by the managing authority as an intermediate body.”

Option 5.2. Maintain the current framework with a national ROP for part of the regions and pilot Regional OPs for 3-5 voluntary regions. Within this option, one could have a mix of regional programs: one managed nationally (similar to the one from 2014-2020) and 3-5 ROPs managed similar to Option 5.1 in which the function and duties of the MA are transferred at regional level. Participating in such a pilot program would be voluntary.

Option 5.3. Keep a national ROP, with an axis and allocation dedicated to each region, as well as with a consistent transfer of competences to the regions. The global grant model of the Large Infrastructure OP could be used as a model. Within this option, everything is organized under a single regional Operational Programme. However, the particularities of each region are transposed at the level of specific axis and differentiated allocation. The managing authority at the central level is the exclusive coordinating role of the program, and all other attributions are exercised at the level of RDAs as intermediary bodies. For the SUD approach, local administrations could function as secondary intermediary bodies.

These options advocate for tailoring of interventions to the needs of each individual urban area. With respect to the areas that the ITI tool could be used for, one could have both SUD and non-SUD areas. SUD ITI areas could include:

- Bucharest-Ilfov
- Seven regional growth poles (as was done in Poland) – i.e. the metropolitan areas of Brașov, Cluj-Napoca, Constanța, Craiova, Iași, Ploiești, and Timișoara.
- Three urban agglomerations (Brăila-Galati, Deva-Hunedoara-Simeria, Vâlcea-Jiu Jui) (similar to the Czech approach);
- Other constituted metropolitan areas could make a compelling case for how an ITI would help with their metropolitan development, particularly in terms of establishing intermunicipal partnerships. In this situation, a strategy competition could be organized, the way it was done in Italy.

With respect to the non-SUD approach, some options for consideration include:

- Danube Delta – continuation of the 2014-2020 approach, with a stronger focus on environmental sustainability.
- Black Sea resorts – similar to the Spanish approach (Agul and Mar Menor) to have integrated investments focused on coastal areas.
- Apuseni Mountains – an area with severe demographic decline and aging problems.
- Măgurele Laser Valley – the largest R&D hub in Romania.
To further advance the gains made over the previous programming periods and reflecting on lessons learned in Romania and other EU countries, the report recommends a bolder SUD approach for the 2021-2027 Programming Period that foregrounds and expands the urban agenda. In the next programming period, development partners must tackle not only capital investment challenges, but also address structural challenges such as peripherality, capacity, and low quality of institutions. This can be done through better aligned EU, national, and regional policies and resources to create the necessary preconditions for economic growth. Some of the identified cultural and institutional pre-conditions are:

**Multi-jurisdiction cooperation approaches have evolved as they matured**, and government therefore needs to take a long term view and build in mechanisms and capability for learning and refinement.

**Multi-jurisdiction cooperation structures that were informed by a clear national urban development/growth strategy seem to have been more successful.** A national assessment of growth poles and associated Functional Urban Areas (FUAs) that are maintained over time, supported by robust institutional, planning, and fiscal resources, improves the performance of identified urban areas, strengthens urban-rural linkages and satisfies the need to make integrated investments outside the administrative territory.

**Flexible institutional responses** — there is evidence of various approaches to structuring multi-jurisdiction cooperation, from informal (agreements) to formal. The decision on which modality works should be made taking factors like context, capacity, etc. into account. In order to respond to the different levels of capacity and resources, national governments should consider a ‘deal-making’ type of approach to SUD implementation. This would allow for tailored structures, responsibilities and operations while ensuring they meet national and European expectations.

**Financing** — the case studies highlighted the different ways in which these structures and their work were financed. While focus was given to how EU funds were utilized, it is clear that where there was financial certainty (with national funds also being allocated to the same areas and sectors) there was greater success.

**Clarity of roles and responsibilities** — multi-jurisdictional cooperation requires clear delineation of roles and responsibilities between various parties.

**Capacity** — multi-jurisdiction cooperation requires capacity that may not be typically resident in local municipalities and building this capacity is an important cog in the development of robust urban administrations. This capacity should also focus on building and improving citizen participation and private sector engagement.

Finally, even if all these recommendations were put into practice, it is not a guarantee for higher performance among Romanian urban areas. If skillfully deployed, nevertheless, SUD funds can strengthen advantages while addressing disadvantages. This would, of course, require a good understanding of both an urban area’s advantages and disadvantages, and sharpening policy and fiscal instruments to optimize advantages while minimizing disadvantages.
The mandate of the EU Cohesion’s Policy is to narrow development gaps and reduce disparities between member countries and regions whilst supporting the European Union’s growth agenda more generally. Around 454 billion euros of European Structural and Investment (ESI) Funds have been allocated to help EU regions become more competitive in the 2014-2020 Programming Period, with a focus on less developed regions (with a GDP per capita (PPS) of less than 75% of the EU average) and transitions regions (with a GDP per capita (PPS) between 75% and 90% of the EU average). However, not all EU regions have been able to fully take advantage of the benefits, due to the effects of the 2008 economic crisis and structural problems.

Consequently, Ms. Corina Crețu, the Commissioner for Regional Policy, of the Task Force for Better Implementation, initiated the Lagging Regions Initiative to identify growth constraints in less developed regions, and provide targeted assistance and programs to foster growth. Thus, lagging regions development support is offered to a broad range of stakeholders (regional and local administrations, educational institutions, business support institutions, small and medium enterprises (SMEs), entrepreneurs, investors, Non-governmental organizations, international financing institutions). It is meant to maximize the impact of regional investments. Two types of lagging regions were identified in the EU:

- **LOW GROWTH REGIONS**: cover less developed and transition regions that did not converge to the EU average between the years 2000 to 2013 in member states with a GDP per capita (PPS) below the EU average in 2013. These include almost all the less developed and transition regions of Greece, Italy, Spain, and Portugal.

- **LOW INCOME REGIONS**: cover all the regions with a GDP per capita (PPS) below 50% of the EU average in 2013. This group covers the less developed regions of Bulgaria, Hungary, Poland, and Romania.

Poland and Romania were the first countries to pilot this initiative, with two regions each – Świętokrzyskie and Podkarpackie in Poland, and Northwest and Northeast in Romania. Since these first pilot projects, the work has been extended both thematically and geographically (e.g. Slovakia was included in the initiative), with a focus on determining how regions can become more competitive and inclusive.
Analytical work undertaken in recent years indicates that the performance of regions in the EU is clearly linked to the performance of urban areas within the region. The most dynamic EU regions either have one or more metropolitan areas or urban agglomerations within their boundaries, or they are close to one in another region. Without strong urban areas, one cannot have strong regions. Cities function as pulse beacons, diffusing development to the areas around them.

Strong cities are not enough though. To ensure that the benefits of city development also spill over to the urban hinterland, it is critical to devise and encourage interjurisdictional cooperation and development. Few urban investments nowadays have impact only on one administrative unit, so provisions should be in place for interjurisdictional planning and implementation. For example, the suburban and peri-urban areas of Bucharest and the 40 county capitals generate 20% of firm revenues in the country, have attracted 31% of migrants, and have received 32% of new housing units after 1990. However, little has been done to foster interjurisdictional dynamics between core cities and their suburban and peri-urban areas (e.g. metropolitan mobility, cross-jurisdictional investments, sharing of services).

For the 2021-2027 Programming Period, the European Commission proposed that the European Regional Development Fund (ERDF) will have a stronger focus on sustainable urban development (SUD) activities, with member states having to allocate at least 6% of ERDF funds for integrated development in urban areas (Sustainable Urban Development), either through a dedicated Operational Programme, a dedicated priority axis, within an Operational Programme or with the help of tools such as Integrated Territorial Investments (ITI) or Community-Led Local Development (CLLD). The European Commission also wants to offer more incentives for a more effective governance based on partnership, multilevel governance and an integrated place-based approach in its programmes.

Thus all EU member countries, Romania included, have to have a stronger focus on cross-sectoral and interjurisdictional approaches and better respond to the needs of territories that may not be defined by one clear administrative boundary.

With this in mind, a new Administrative Agreement (AA) for the Romania Multi-municipality Financing Program was signed between the European Commission and the International Bank for Reconstruction and Development with the objective to support Romania identify ways to improve the impact of its investments in urban areas through better territorial planning and provide inputs into the design of multi-municipal financing instruments and recommend relevant institutional structures. The following activities are envisaged under the project:

- **Activity 1** Identification of intervention areas/sectors, in which there could be intrinsic added value for channeling EU funding through municipalities. FUA /metropolitan and/or regional associative bodies (such as IDAs, RDAs etc.) in place of, or in addition to, national authorities responsible for functions such as health, tourism, energy, education, social services, urban and metropolitan/regional transport, competitiveness, and support for SMEs and innovation, etc.

- **Activity 2** Analysis of the need for overall or sector specific forms of territorial cooperation (such as metropolitan IDAs project-oriented partnerships between TAs, etc.) for instances in which EU funding could be organized at the subnational level. These forms of cooperation could come to complement or supplement the current model used for EU funding, which focuses only on the administrative territory of the eligible county seats.

- **Activity 3** If the opportunity for such an intercommunity or regional model is confirmed for any of the intervention areas/sectors under analysis, the project will identify suitable organizational models (for example, establishing a new intercommunity association or making use of an existing one or ad-hoc initiatives, such as a partnership agreement for a certain investment project), feasible within the Romanian context, for each of the intervention areas/sectors.

- **Activity 4** In case EU funding is proposed on a new, alternative organizational model, different from the ones already existing in Romania and based on international best practices, establish the implications for:
  i. The need for integrated urban development strategies/plans
  ii. The need to strengthen administrative capacity at different levels

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This report corresponds to Activity 3 listed above. The report looks at the mechanisms or organizational models used by EU member states in implementing the SUD in the 2014-2020 Programming Period. A number of case studies are discussed in depth, to better understand the organizational models used and the degree to which these models have helped respond to the development needs of urban areas. The focus will be on multilevel governance agreements for urban areas.

The Sustainable Urban Development Approach for the 2014-2020 Programming Period

The urban dimension of the Cohesion Policy has been strengthened for the 2014-2020 period. This followed a period of conceptual reflection on the role of the social cohesion policy, particularly from 2008 to 2011. The Urban Community Initiative was first launched in the 1994-1999 Programming Period, continued in the 2000-2006 Programming Period, and integrated into the Investment for Growth and Jobs programs in the 2007-2013 period. The Urban Community Initiative started from the premise that cities play a key role in the development of a region and the country as a whole, and appropriate integrated urban development measures should be adopted to help urban areas perform better. Developments in thinking about place-based approaches were particularly influential and were given credence by a number of influential reports. In general, these approaches argue that space shapes the potential for development not only of the territories but, through externalities, of the individuals who live in them. Hence (it is argued), development strategies should not be (and, in fact, are not) space-neutral but need to be explicitly place-based, and highly contingent on context. As the Barca Report stated:

“A place-based policy is a long-term strategy aimed at tackling persistent underutilization of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes. … In a place-based policy, public interventions rely on local knowledge and are verifiable and submitted to scrutiny, while linkages among places are taken into account.

The logic of the place-based approach is grounded in two assumptions. First, geographical context matters and is particularly concerned with the heterogeneous nature of urban systems. Second, it focuses on the issue of knowledge in policy interventions (mix of local understanding of issues and new, external knowledge to tackle challenges) and advocates multilevel governance and partnership-based approach with strong interactions between layers of government and wider actors. In the EU, regional development policy operates within a particularly complex institutional and multilevel governance context, which is fundamental to the nature and the operation of the Cohesion Policy.

Against this background, the EU’s concern with an urban dimension has been gaining in prominence. The explicit interest in urban areas dates back to 1998, when the first Urban Forum in Vienna was launched. Since then, a large number of initiatives and instruments (URBACT, URBAN, CITIES, etc.) have been adopted. URBACT functions primarily as a knowledge-exchange platform, enabling urban authorities to network and learn from each other. The current urban dimension in the Cohesion policy can be seen as part of the wider development of an EU urban agenda of which one of the latest formulations is presented in Box 1.

BOX 1. THE EU URBAN DIMENSION

On 17-18 February 2014 the European Commission organized a major forum, CITIES - Cities of Tomorrow: Investing in Europe, to discuss how the urban dimension of EU policymaking can be strengthened, and how the key role of cities in EU and national policies can be better recognized. The main aim of the forum was to initiate discussion on the development of an EU Urban Agenda which:

- fosters the role of the European Union as a facilitator of urban development;
- further integrates sector policies and making them better adapted to urban realities; and
- provides leverage to strengthen national urban agendas.

The nature of these challenges requires an integrated mix of interventions in order to increase their impact and to fully exploit the development potential of different types of territories. There is a particular focus on fostering sustainable urban development through integrated strategies in order to strengthen the resilience of cities.

The increased recognition of the urban dimension stems from the premises that:

- Urban centers are important areas of economic growth and as such play a key role in the Cohesion Policy and meeting the objectives of the Europe 2020 strategy;
- The challenges that urban areas face – economic, social, and demographic are interwoven and therefore measures targeting different development issues should be combined;
- Integrated urban development strategies can achieve a more effective and efficient delivery of public policy through the integration of different funding streams and instruments; and
- More influence for localities in decision-making structures improves implementation.

Integrated territorial approaches in the Cohesion Policy are intended to target various types of territories through different tools. Article 7 of the ERDF Regulation requires five percent of ESI Funds to be allocated to Integrated Sustainable Urban Development (ISUD) and for which eligible areas have to draft an urban development strategy. This approach is based on two principles resources should be concentrated in an integrated manner to target areas with specific urban challenges, and at the same time, ERDF-funded urban development projects should be integrated into the wider objectives of the programs. The main elements of the new approach are:

- Support for the development of more holistic integrated urban development strategies.
One of the novelties of this approach is the requirement to delegate implementation tasks for interventions that are programmed as part of the minimum five percent ERDF share to implement ISUD. Furthermore, the regulation encourages the introduction of innovation and experimentation (Urban Innovative Actions, Article 8 of Regulation 1301/2013) and the introduction of an Urban Development Network to deepen the discussion on the implementation of urban investments and development projects (Article 9 of Regulation 1301/2013).

FIGURE 2. Mechanisms for implementing territorial approaches in Cohesion policy

How have EU countries implemented the SUD 2014-2020?

For the 2007-2013 Programming Period it is estimated that around 11 percent of total ERDF funding, or roughly 29 billion euros, was allocated to urban development and social infrastructure investments. Investments that focused squarely on urban development were limited, however.

Around 78 percent of the total ERDF funding, or around 14.5 billion euros, was allocated for SUD interventions, with quite a bit of variations between member states, both in terms of overall allocation and mechanisms used. Countries with a larger allocation of EU funds tended to also have a larger SUD allocation. Most countries have used only one mechanism for the implementation of the SUD – predominantly the ITI tool, or a priority axis under an OP. It is an interesting observation that roughly the same allocation used. The mechanisms available to implement SUD interventions are highlighted in Figure 2. A recent analysis showed 114 ERDF-funded Operational Programmes include SUD interventions for the 2014-2020 Programming Period – either through national OPs, multiregional OPs, or regional OPs.

FIGURE 3. Allocations (million euros and % of ERDF) and implementation mechanisms for SUD 2014-2020


A general overview of the SUD mechanisms indicates that countries that used the ITI tool for implementation of the SUD did not only allocate more resources for such interventions but were also more targeted (focusing on a smaller number of urban areas) and more integrated. Urban areas using ITIs were on average twice the size of the urban areas using a priority axis, and they had larger and more diverse development envelopes. For example, ITIs had twice the scope of thematic funding that priority axes offered.

**FIGURE 5.** Cohesion Policy support delivered by ITI


Marton Matko provides a very useful summary both of the Urban Dimension of the Cohesion Policy for 2014-2020, and an illustrative graphic of the various instruments used to support and encourage urban development initiatives in the EU:

- **Sustainable urban development (ERDF Art 7)**
  - Integrated urban development strategies ⇒ more than 800 urban areas involved
  - Earmarked funding (min 5%) ⇒ 15 billion euros
  - Delegated powers ⇒ cities responsible for project selection

- **Urban innovative actions (Art 8)**
  - Funding for experimentation, 370 m euros, themes linked to urban agenda
  - First call: 16 of 18 winners are EUROCITIES members

- **Urban development network**
  - Capacity building, networking and sharing knowledge for Art 7 and UIA cities

- **URBACT**
  - EU-wide learning program for cities via thematic networks

- **Territorial instruments**
  - ITI combining different funding sources to implement integrated strategy
  - CLLD: to empower local communities to implement their local strategy

- **Urban** investment priorities in ERDF TOs
  - Brownfield regeneration, deprived communities, multimodal urban mobility

This point is of critical importance to the next programming period for Romania. For 2014-2020, urban areas in Romania had access to relatively limited funding under Axis 4 of the ROP – around 13 billion euros for 39 urban areas with around 8.9 million people, roughly the same as the allocation for the Danube Delta ITI, with around 200,000 people. Moreover, the types of interventions urban areas could undertake with funding from Axis 4 of the ROP were limited - the 39 urban areas in Romania fund activities under four thematic areas while the 24 urban area ITIs in Poland fund activities under 39 thematic areas. ITIs provide more flexibility, as funding can be drawn from different funding sources, not just the ERDF, but also from the ESF and indirectly from the CF.

In total, 20-member states have chosen to use the ITI tool, with 12 using it for non-SUD interventions. According to data collected10, total ESIF allocations for ITI interventions sum up to around 13.8 billion euros (see figure below). Around 28 percent of ITI funding is concentrated in Poland alone. Around 80 percent of ITI funding is concentrated in nine-member states.

**FIGURE 4.** Urban areas in SUD and average allocations

Although the implementation of SUD in the 2014-20 period can be analyzed in three categories (priority axis, OP or ITI), there is considerable variation across member states resulting in many unique approaches across the EU. Several case studies will be discussed in more depth the mechanisms and organizational models used by a selection of member countries to implement the SUD for the 2014-2020 Programming Period.
CASE STUDIES
CASE STUDIES - POLAND

Poland

This section provides an overview of the Polish approach to implementing Integrated Sustainable Urban Development (ISUD) for the 2014-2020 Programming Period. Poland chose to use a single instrument for this purpose, namely Integrated Territorial Investments (ITIs), and thus created an individual model for its implementation.

In the first section, the Polish ITI system will be analyzed following the four dimensions of integration included in the ‘place-based approach’ of the EU Cohesion Policy. The approach was introduced in Fabrizio Barca’s Report, and currently constitutes the foundation for all SUD instruments. The four dimensions of the ‘place-based approach’ include:

- **Geographical integration** highlighting the specificity of places, their challenges and development needs, as well as the need to approach these challenges looking beyond typical administrative boundaries.
- **Integration of interventions** focusing on the synergy effect of multiple, diverse, and complementary investment in a single territory.
- **Integration of knowledge** including local actors in diagnosing the needs and challenges of a particular area, and designing potential solutions.
- **Integration of governance** empowering local actors by decentralizing the administration of EU funds, in a way that raises their responsibility for the process and allows higher scope of coordination among authorities.

The second section will provide a more detailed analysis of particular examples of ITI implementation in two functional urban areas. It will characterize the key institutional mechanisms used in both places and discuss their functionality in terms of intermunicipal collaboration, efficient policy implementation, and prospect of future endurance.

The ITI approach in Poland

This section is based mostly on the content of Polish ITI strategies, and policy documents related to ITI programming and implementation. It explains the typology of urban areas, their delimitation, and the differences between Polish ITI regions. Later, the section also discusses the collaboration mechanisms during ITI implementation, and the general background of intermunicipal collaboration in Poland.

**Geographical integration**

EU member states could decide on the type of territories targeted by the SUD instruments. Nearly half of the countries preferred to stay within the administrative borders of cities, while others preferred to narrow down the area to a particular district or extend it to a geographical area of mountains or islands. Poland, like a third of member states, decided to focus the SUD approach on Functional Urban Areas (FUA). This model requires cooperation between the core city (or cities) and surrounding localities. Encouraging such partnerships was one of the main aims of the ITI policy in Poland, as there have not been many instruments to incentivize Polish local authorities to coordinate their investments and solve joint problems.
Delimitation of FUAs

The delimitation of FUAs has been a challenging endeavor. The Ministry of Development ordered an expertise that would indicate which municipalities are functionally connected with major cities in Poland. The analysis conducted by academics from the Polish Academy of Sciences (Śleszyński, 2013) remained the main basis for the ITI FUA delimitation. However, in many cases the list was extended by a few municipalities (in Figure 7, marked in light blue, next to the municipalities included originally in the analysis, marked in green) on the basis of the historical links and the will to collaborate (Kaczmarek & Kociuba, 2017, p. 55; Krukowska & Lackowska, 2017, p. 281). In other cases, the number of municipalities was limited (in Figure 7, excluded jurisdictions have been marked in dark grey). Consequently, there is a broad range in the number of partners included in FUAs (from to 5 to 81).

The focus on the biggest cities and their functional areas was a decision taken at the ministerial level. Initially, the idea was to limit ITI funding only to FUAs of the regional capitals. This was disputed by the local and regional authorities (Kozak, 2016b), and some of them successfully lobbied to extend the ITI funding for a number of chosen sub-regional FUAs. In a few regions, additional ITIs were not created, but the regions decided to allocate part of the ROP funds to a few more FUAs (Frankowski & Szmytkowska, 2015). These FUAs are not targeted by the earmarked funding based on Article 7 of the ERDF Regulation, and are usually called non-SUD ITIs, to distinguish from SUD ITIs funded from Article 7. Consequently, there are a few models of regional ITIs in Poland (Ferry, Borkowska-Waszak, 2018):

- One SUD ITI in a region (Podlaskie, Podkarpackie, Opolskie, Kujawsko-Pomorskie, Lodzkie);
- Several SUD ITIs in a region (Lubuskie, Slaskie, Dolnoslaskie, Zachodniopomorskie, Wielkopolskie);
- One SUD ITI and a few non-SUD ITIs (Warminsko-Mazurskie, Lubelskie);
- One SUD ITI and a mechanism of ‘para-ITI’ dedicated to smaller towns, funded from ROP (Pomorskie, Mazowieckie, Malopolskie); and
- Horizontally: FUA around 1 city, or multiple cities (Bydgoszcz-Torun, Koszalin-Kolobrzeg-Bialograd, Central Subregion, Gulf of Gdansk, Kalisz-Ostrow Wielkopolski).

The ITI models can be put into eight groups. Consequently, the context and following problems of ITIs vary substantially.

### TABLE 1
Polish ITI models in particular regions

<table>
<thead>
<tr>
<th>ITI Model</th>
<th>One SUD ITI in a region</th>
<th>Several SUD ITIs in a region</th>
<th>Several SUD ITIs in a region</th>
<th>One SUD ITI and a ‘para-ITI’ mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>One main city</td>
<td>- Podlaskie, Dolnoslaskie, Wielkopolskie</td>
<td>- Lubuskie, Slaskie, Silesia, Mazowieckie, Malopolskie</td>
<td>- Kujawsko-Pomorskie, Zachodniopomorskie, Wielkopolskie</td>
<td></td>
</tr>
<tr>
<td>Multiple main cities</td>
<td>- Opolskie, Silesia, Wielkopolskie</td>
<td>- Partially</td>
<td>- Partially</td>
<td></td>
</tr>
</tbody>
</table>

In comparison to other countries implementing ITIs, Poland kept a balance between the number and size of targeted territories. There are 24 SUD strategies targeting FUAs in all of the Polish regions. Within those, 17 address regional capitals and seven sub-regionally important cities. ITI strategies of FUAs are built into the objectives of the Regional Operational Programmes. Each of the 24 targeted functional urban areas prepared a strategy for ITI implementation. Six FUAs are located around the biggest cities in Poland and consist of metropolitan areas with over one million inhabitants. The other ITIs are for urban areas of subregional importance or medium-sized urban areas (200,000-650,000 inhabitants in the FUA). Non-SUD ITIs are located around small or medium towns (70-200,000 inhabitants). The total population covered by the strategies is around 18 million, which is nearly 50% of Polish inhabitants. More details on the population covered by particular FUAs can be found in Table 2. To see the location of particular FUAs implementing ITIs see Figure 7.

**FIGURE 7.** Location of SUD Integrated Territorial Investments in Poland.
Forms of cooperation

The issues pertaining to the legal form of intermunicipal cooperation were not solved from the beginning of the process. In Poland, there are four legal possibilities for multijurisdictional partnerships:

- Intermunicipal agreement;
- Intermunicipal association;
- Intermunicipal union;
- Intermunicipal company.

Initially, the Ministry of Development wanted all municipalities in an agreed-upon FUAs to create an association. On the other hand, local authorities had various ideas of possible forms of cooperation. In the end, the ministry decided to allow two forms of cooperation: an agreement or an association. The first form of collaboration is the simplest, in which partnering municipalities do not form a separate entity but voluntarily collaborate on a particular issue (in this case ITI implementation). They sign an agreement specifying key collaboration rules (e.g., voting during assembly meetings, etc.) and delegate the main joint tasks to the association leader (usually the core city of an agglomeration). Associations, on the contrary, are new institutions, with municipalities as official members. They usually have a more complex structure (executive board and its president, secretariat, advisory board) more detailed collaboration rules, and a broader scope of tasks. In the context of ITI implementation, the main difference was in who was given the function of an Intermediate Body (IB). In the case of agreements, these tasks were delegated to a single city, while in the case of associations, their secretariats were given the IB function. The majority of FUAs decided to cooperate in a less complex form of agreement (14 out of 24). The remaining 10 are associations, chosen usually in FUAs with pre-existing and relatively active cooperation structures before the ITI implementation. To see which FUAs opted for which form of collaboration, see Table 2. It is important to highlight that there are advantages and drawbacks of each form. On the one hand, associations ensure more independence and less bias towards the interests of a single municipality’s interests. On the other, it adds an administrative burden to the new institution, while in an agreement many tasks are covered by the usual city administration services.

Historical context

In the majority of the FUAs of capital regions in Poland, intermunicipal cooperation existed before the ITI period. However, a majority of them were either unofficial or inactive (Krukowska & Lackowska, 2017, p. 279). Only the associations in Katowice and Poznań were performing joint initiatives, including EU-funded projects. This lack of intensive cooperation is often explained by researchers due to the low social capital in Poland, and consequent lack of trust, low skills and will to cooperate (Kogak, 2016a). This might also be attributed to the lack of legal basis and insufficient governmental incentives for intensifying cooperation. Therefore, the decision of the Ministry of Development to use the ITI instrument to enhance intermunicipal cooperation, suggests that ITIs can be seen, in a way as an experiment which shows that financial incentives and formal guidelines can improve longstanding partnerships, thus ensuring integrated and efficient development of urban areas.

Historically, integrated urban development in Poland has been relatively weak. Prior to the 2014-2020 Programming Period, the only EU funds dedicated directly to cities in Poland were URBAN (2004-2006), URBACT (2007-onwards) and JESSICA (Hacqmaren & Kociuba, 2017). Krukowska & Lackowska, 2017). However, these instruments did not stimulate an integrated approach such as intermunicipal cooperation, which resulted in a fragmentation of EU investments. Consequently, there were cases of very similar, competing investments in neighboring communities, neither of which are currently sustainable, bringing debts to both municipalities (e.g., the case of two aquaparks built in neighboring municipalities: Rząsko, 2012). Also, domestic policies did not stimulate integrated urban development, at least not to the extent that was desired following the introduction of the EU urban agenda in 2014. The biggest innovation of ITIs in this regard is a partnership approach to urban development. The introduction of ITI mechanism has facilitated new intermunicipal collaboration structures, formalized and activated some of the existing collaborative initiatives (Krukowska & Lackowska, 2017, p. 279). Before it is, Poland did not have any instruments directly supporting the creation of metropolitan institutions with independent tasks, resources and funding, and interlocal collaboration focused on bilateral service contracts (Swianiewicz, 2016). A more developed and matured intermunicipal collaboration system promises major added value and is set to improve the integration of local development interventions.

Characteristics of the Sustainable Urban Development Strategies

The SUD strategies in Poland should be analyzed from two perspectives of the integration of planned investments: funding sources and the thematic scope of ITI strategies. These aspects of the Polish ITI system will be discussed below. Additionally, they will be analyzed from the perspective of knowledge integration, namely the involvement of different actors in preparing the strategies and their implementation.

Funding sources of the ITIIs in Poland

A key aspect to consider for investment integration is linking various funds in order to allow closer coordination of hard and soft interventions in a particular area. All Polish ITI strategies include interventions funded from both the ERDF and ESF, which are built in multi-fund regional Operational Programmes. In addition, many FUAs planned complementary CF investments funded from national Operational Programmes: OP Eastern Poland and OP Infrastructure and Environment. However, these investments are not officially part of the ITI budgets and Article 7 interventions.

Overall, Poland has allocated relatively high sums for functional urban areas within ITIs, increasing the minimum 5% of ERDF to over 11%, and adding an amount of ESF funds to be invested through the instrument. Considering that Poland is by far the biggest beneficiary of the Cohesion Policy 2014-2020, the funds allocated through ITIs have a massive impact on local and regional development. In total around 6 billion euros has been invested, where 3.1 billion euros comes from ERDF, and 0.57 billion euros from ESF. This will be complemented with around 2.5 billion euros from domestic resources, including both own contribution of the local authorities, and complimentary national projects funded from the Cohesion Fund. Additionally, nearly 140 million euros is allocated to non-SUD ITIs located in six subregional urban functional areas.

Outside the EU funding available for particular FUAs equals on average 153 million euros, and there is a huge variety between budgets from 60 to 739 million euros. Available funding differs from 61 to 542 euros per capita, and from 2.1 million euros to 19.4 million euros per municipality. Such variations can be explained by the different amounts of allocations from particular ROPs invested through...
### Table 2.
Legal form, size and budget of SUD ITIs in Poland

<table>
<thead>
<tr>
<th>Region</th>
<th>SUD ITI Functional Urban Area</th>
<th>Legal Form</th>
<th>Number of municipalities</th>
<th>Number of inhabitants</th>
<th>ERDF [million euros]</th>
<th>ESF [million euros]</th>
<th>TOTAL ERDF + ESF [million euros]</th>
<th>TOTAL per capita [million euros]</th>
<th>TOTAL per municipality [million euros]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dolnoslaskie Jelenia Gora Functional Area</td>
<td>Agreement</td>
<td>18</td>
<td>209,108</td>
<td>87.0</td>
<td>26.4</td>
<td>113.4</td>
<td>542</td>
<td>6.3</td>
</tr>
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<td>2</td>
<td>Dolnoslaskie Walbrzych Agglomeration</td>
<td>Agreement</td>
<td>22</td>
<td>415,800</td>
<td>152.4</td>
<td>41.3</td>
<td>193.6</td>
<td>466</td>
<td>8.8</td>
</tr>
<tr>
<td>3</td>
<td>Dolnoslaskie Wroclaw Functional Area</td>
<td>Agreement</td>
<td>15</td>
<td>725,219</td>
<td>240.8</td>
<td>50.5</td>
<td>291.3</td>
<td>402</td>
<td>19.4</td>
</tr>
<tr>
<td>4</td>
<td>Kujawsko-Pomorskie Bydgoszcz Torun Functional Area</td>
<td>Agreement</td>
<td>24</td>
<td>853,000</td>
<td>143.3</td>
<td>23.5</td>
<td>166.8</td>
<td>196</td>
<td>6.9</td>
</tr>
<tr>
<td>5</td>
<td>Lodzkie Ladz Metropolitan Area</td>
<td>Agreement</td>
<td>23</td>
<td>1100,000</td>
<td>181.6</td>
<td>30.6</td>
<td>212.2</td>
<td>193</td>
<td>9.2</td>
</tr>
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<td>6</td>
<td>Lubelskie Lublin Metropolitan Area</td>
<td>Agreement</td>
<td>16</td>
<td>547,784</td>
<td>93.3</td>
<td>12.1</td>
<td>105.4</td>
<td>192</td>
<td>6.6</td>
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<td>7</td>
<td>Lubuskie Gorzow Wielkopolski Functional Area</td>
<td>Agreement</td>
<td>5</td>
<td>153,300</td>
<td>42.5</td>
<td>6.8</td>
<td>49.3</td>
<td>321</td>
<td>9.9</td>
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<tr>
<td>8</td>
<td>Lubuskie Zielona Gora Functional Area</td>
<td>Agreement</td>
<td>6</td>
<td>185,209</td>
<td>46.9</td>
<td>11.5</td>
<td>58.3</td>
<td>315</td>
<td>9.7</td>
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<td>9</td>
<td>Malopolskie Cracow Functional Area</td>
<td>Association</td>
<td>14</td>
<td>1,030,000</td>
<td>202.1</td>
<td>34.0</td>
<td>236.1</td>
<td>229</td>
<td>16.9</td>
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<tr>
<td>10</td>
<td>Majowieckie Warsaw Functional Area</td>
<td>Agreement</td>
<td>60</td>
<td>2,700,000</td>
<td>142.1</td>
<td>23.7</td>
<td>165.8</td>
<td>61</td>
<td>4.1</td>
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<td>11</td>
<td>Opolskie Opole Agglomeration</td>
<td>Association</td>
<td>21</td>
<td>334,000</td>
<td>56.9</td>
<td>14.5</td>
<td>71.4</td>
<td>214</td>
<td>3.4</td>
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<td>12</td>
<td>Podkarpackie Rzeszow Functional Area</td>
<td>Agreement</td>
<td>13</td>
<td>359,336</td>
<td>65.5</td>
<td>7.3</td>
<td>72.8</td>
<td>203</td>
<td>5.6</td>
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<td>13</td>
<td>Podlaskie Bielszto Functional Area</td>
<td>Association</td>
<td>9</td>
<td>415,331</td>
<td>67.2</td>
<td>8.8</td>
<td>76.0</td>
<td>183</td>
<td>8.4</td>
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<td>14</td>
<td>Pomorskie Gdansk-Odgoszczep Metropolitan Area</td>
<td>Association</td>
<td>30</td>
<td>1,270,000</td>
<td>193.4</td>
<td>65.8</td>
<td>259.3</td>
<td>204</td>
<td>8.6</td>
</tr>
<tr>
<td>15</td>
<td>Slaskie Central Subregion</td>
<td>Association</td>
<td>73</td>
<td>2,793,961</td>
<td>639.1</td>
<td>100.0</td>
<td>739.1</td>
<td>268</td>
<td>10.1</td>
</tr>
<tr>
<td>16</td>
<td>Slaskie Northern Subregion</td>
<td>Agreement</td>
<td>34</td>
<td>527,575</td>
<td>95.9</td>
<td>11.2</td>
<td>107.1</td>
<td>203</td>
<td>3.2</td>
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<tr>
<td>17</td>
<td>Slaskie Southern Subregion</td>
<td>Agreement</td>
<td>38</td>
<td>665,269</td>
<td>92.9</td>
<td>12.2</td>
<td>105.1</td>
<td>158</td>
<td>2.8</td>
</tr>
<tr>
<td>18</td>
<td>Slaskie Western Subregion</td>
<td>Agreement</td>
<td>24</td>
<td>637,712</td>
<td>92.9</td>
<td>12.5</td>
<td>105.4</td>
<td>165</td>
<td>4.4</td>
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<tr>
<td>19</td>
<td>Swietokrzyskie Kielce Functional Area</td>
<td>Agreement</td>
<td>12</td>
<td>340,317</td>
<td>68.6</td>
<td>13.8</td>
<td>82.4</td>
<td>242</td>
<td>6.9</td>
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<tr>
<td>20</td>
<td>Warminsko-Mazurskie Ogieryn Functional Area</td>
<td>Agreement</td>
<td>7</td>
<td>230,000</td>
<td>42.1</td>
<td>16.5</td>
<td>58.6</td>
<td>255</td>
<td>8.4</td>
</tr>
<tr>
<td>21</td>
<td>Wielkopolskie Kolac-Ostraw Wielkopolski Agglomeration</td>
<td>Association</td>
<td>24</td>
<td>358,012</td>
<td>61.3</td>
<td>7.8</td>
<td>69.1</td>
<td>193</td>
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<td>22</td>
<td>Wielkopolskie Poznan Functional Area</td>
<td>Association</td>
<td>22</td>
<td>1,014,194</td>
<td>176.4</td>
<td>22.2</td>
<td>198.6</td>
<td>194</td>
<td>8.9</td>
</tr>
<tr>
<td>23</td>
<td>Zachodniopomorskie Koeglin-Kolbrzyg-Biesograd Functional Area</td>
<td>Agreement</td>
<td>19</td>
<td>298,740</td>
<td>34.0</td>
<td>6.0</td>
<td>40.0</td>
<td>134</td>
<td>2.1</td>
</tr>
<tr>
<td>24</td>
<td>Zachodniopomorskie Szczeinin Metropolitan Area</td>
<td>Association</td>
<td>13</td>
<td>687,247</td>
<td>97.9</td>
<td>11.2</td>
<td>109.1</td>
<td>159</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>522</strong></td>
<td><strong>17,817,314</strong></td>
<td><strong>3113.9</strong></td>
<td><strong>570.2</strong></td>
<td><strong>3684.1</strong></td>
<td><strong>207</strong></td>
<td><strong>7.1</strong></td>
</tr>
</tbody>
</table>

Source: Own elaboration on the basis of Ferry. Borkowska-Waszak 2018
the ITI instrument. Another issue regarding integration of investments is the use of various kinds of financial aid (grants, financial instruments, private funding), in order to ensure higher sustainability of investments. Here, the only type of available funding for SUD and non-SUD ITIs is non-repayable grants. Financial instruments and repayable grants are used in some ITIs in Poland.

**Thematic scope of ITIs in Poland**

One of the most visible aspects of investments integration in Poland is using various thematic objectives (TO). In order to differentiate the kind of investments in a particular area and to allow a synergy effect. Thematic objectives realigned in the Polish ITI strategies are quite diverse. All ITIs planned investments within the TO 4. Supporting the shift towards a low-carbon economy. It is also the most popular objective among all member states in relation to SUD investments (Van der Zwart et al., 2017). Its various subpriorities constitute 22% of all priorities of the ITI strategies (on average there are 3.2 subpriorities of this objective per strategy). Besides TO 4, the most frequently chosen investment priorities are: TO 10. Investing in education, training and lifelong learning (16%, 2.3 priorities per strategy), and TO 3. Enhancing the competitiveness of SMEs (13%, 1.9 priorities per strategy). These latter objectives differ from those chosen by other member states, which more often opted for TO 6. Environment & resource efficiency, and TO 9. Social inclusion. The summary of all general priorities targeted by Polish ITI strategies can be seen in Figure 8.

**FIGURE 8.**

General thematic objectives of Cohesion Policy: % of all priorities of the Polish ITI strategies. N=22 strategies

In total, there are 39 sub-priorities or thematic areas (see Figure 9) financed under Polish ITIs, among which the most popular are 4e, 4c, 10i, 10iv and 3a. On average an ITI strategy covers 12 investment priorities (maximum 23 in the Wroclaw area, minimum seven in the Warsaw area). It is striking to note that none of the ITIs in Poland is investing in TO 11. Strengthening research, technological development and innovation. However, it does not have to mean that targeted urban functional areas do not invest at all in public administration and innovativeness from EU funds. ITI Intermediary Bodies were mostly funded from the national OP Technical Assistance, and local authorities could apply to other sources of EU funding, for example the national OP Innovative Economy. However, these areas were not included in any Polish ITI strategies.

Other aspects worth considering in the context of thematic integration of investments are urban-rural linkages and coordinating particular projects in order to achieve scale effects and functional complementarity and avoid fragmentation and duplication. The first aspect was rarely mentioned explicitly in the ITI strategies as an aim or area of intervention, disregarding typical agglomeration challenges such as urban sprawl.

The scope of project coordination differs between FUAs and even within them as some investments are better coordinated and more complementary than others. Some FUAs specified complementarity as an official criterion for the purpose of project assessment, but the operationalisation of this criterion had a geographical character. This meant that a project located in a municipality belonging to the FUA was complementary with any other investment in the same FUA. A more functional coordination (e.g., a bicycle path from a village to the city through another municipality, or the strategic distribution of vocational schools or kindergartens) happened in a more informal sphere. It was based mostly on casual communication between mayors and city officials who saw a need for coherent investments. In a few cases, such communication helped avoid the duplication of investments (e.g., building transport hubs on both sides of the border between two municipalities). The aspect of functional coordination of particular investments should be given more attention and prominence in the future.

**Knowledge integration**

One of the aims of the “place-based approach” was to use the knowledge of local actors in programming and implementation of sustainable urban development. In assessing knowledge integration in these ITIs it is important to highlight the participating local actors, the stage at which they participated and the extent of their influence. In Poland, the main local actors included in the process were mayors, employees of the newly created local ITI IB and municipal ITI coordinators, who were appointed among local administration to contribute towards ITI projects.

**Mayors**

In Poland, local actors played a role in forming ITI systems even before the formal establishment of the instrument. They actively lobbied during delimitation of the FUAs and decided on available legal forms of collaboration. Here, the biggest role was played by mayors who actively lobbied for preferred solutions. Another aspect was the official formation of associations and agreements for the purpose of ITI implementation, which had to be approved by mayors of each municipality. At the stage of ITI strategy preparations, mayors actively participated in discussing strategic
objectives and non-competitive projects, crucial for the effective realization of the strategy. The strategy was approved by the respective ITI Board or ITI Assembly (depending on the legal form), which shows an additional role of mayors. Mayors also played a crucial role in coming up with projects funded from the ITI and coordinating investments planned in neighboring municipalities.

Local administrations: ITI Intermediary Body and municipal ITI coordinators

Local administrations also started the preparations of joint strategies even before the 2014-2020 period, by conducting diagnosis regarding the assets and challenges of their territory and preparing partnership projects. The crucial role was played by civil servants in all partnering municipalities, who were actively involved in data collection and participating in meetings on joint projects. Similar to other member states, in Poland local actors had the biggest influence at the stage of strategy preparation. The key role was played by the newly created local ITI IB, which was formally responsible for the strategy preparation, and coordinated collaboration processes among all the partnering municipalities. Thus, strategy preparation appears as one of the key moments in which local actors’ knowledge was used to improve the quality of the ITI strategy. They also had a major role in preparing the ITI projects. As municipalities are by far the biggest (sometimes the only) beneficiaries of ITI funds, ITI IBs played a crucial role in informally coordinating planned investments with each other to achieve a level of synergy among them. They also performed tasks necessary for project appraisal and monitoring ITI implementation. However, their role in evaluation has not been specified.

Municipal councilors, local stakeholders and citizens

Officially, strategy preparation involved a social consultation process, in which local stakeholders and citizens could participate. Most Polish ITI strategies claim that they organized online consultations and occasional open meetings, but they did not specify to what extent the collected opinions influenced the final strategy. Furthermore, local councilors’ participation in this process was very limited. They officially approved the collaboration agreement. ITI strategy and each municipal investment to be funded within ITI as they always included partial funding from the municipal budget. This enabled them to have a veto power and a controlling function in planning ITI investments. Access to ITI funding and implementation by local stakeholders was limited. In many regions, it was only open to them in terms of ESF project calls. They were not also involved in monitoring and evaluation of ITI implementation, contrary to some other member states which involved local stakeholders to a much higher extent.

Institutional Framework

Polish ITIs are placed in all 16 regional Operational Programmes. Local Intermediate Bodies (IBs) were created for all 24 SUD ITIs. The organizations awarded the IB role differed depending on the legal form of collaboration in FUAs. In case of intermunicipal associations, the IB tasks were performed by their secretariats, while in every intermunicipal agreement, one municipality was selected as FUA leader, which created an ITI dedicated office within its administrative structures. Such local institutions involved in EU funds management had never been created before in Poland.

Regional managing authorities (MAs) delegated tasks to all ITI IBs in formal contracts. The scope of tasks and rule for MA-IB collaboration differs among regions, as they were negotiated individually, and national guidelines allowed flexibility in this regard. In general, managing authorities remained the key players in the implementation process. The only exception is the ITI implemented in the Walbrzych FUA in the Dolnoslasie region, in which local authorities successfully negotiated full responsibility for the IB. In all regions, MAs were reluctant to delegating too many tasks, because local authorities did not have any experience with managing EU funds apart from the beneficiaries’ perspective. This created the risk of delays and errors during implementation. That is why the initial scope of tasks delegated to the IBs was quite limited and will be described in more detail below.

It is important to highlight that during the implementation process, local IBs improved their administrative capacity (Ferry, Borkowska-Wasag 2018), managing processes related to animation of intermunicipal collaboration and spreading metropolitan perspective to investment planning, project coordination and avoiding fragmentation of investments, and monitoring the implementation processes. Some IBs negotiated extending the scope of tasks delegated from MA (see the case studies section). Here, the typical governance arrangements between MA and IB will be presented.

Strategy design

All 24 SUD ITI IBs were responsible for preparing strategies of FUA development in the context of ITI implementation. This consisted of:

• Conducting diagnosis of the FUA’s socio-economic situation;
• Ordering additional expertise (universities, think tanks, consultancies);
• Facilitating the process of defining key needs and challenges, strategic objectives for the FUA and – in most cases – ITI projects crucial for implementing the strategy (decided by the mayors of all municipalities); and
• Ongoing social consultations.

The strategy had to be approved by all municipal councils and mayors, and then accepted by the regional MA and relevant ministry.

Implementation

The FUA of Walbrzych is the only ITI implemented in Poland with full responsibility of project selection, assessment and financial management. It receives extra funding from the Technical Assistance of the ROP, which allows them to hire 50 employees. All other IBs have funding from the national Technical Assistance OP, which allows hiring 10 employees, and their tasks in each of the three above mentioned aspects of implementation vary.

All Polish IBs are involved in project selection. They ensure transparent information exchange and facilitate the discussion among mayors on crucial ITI projects. Most FUAs could preselect non-competitive projects funded from ERDF. This involved a process of negotiations and bargaining among local authorities. In this process, IBs moderated the discussion and tried to coordinate projects with each other, while MAs ensured coherence with European and national guidelines. The competitive mode was used in most regions for ESF project selection, and in a few cases also for ERDF projects (e.g. FUAs in the Slaskie region). Additionally, IBs suggest project assessment criteria related to the coherence with ITI strategy. Their preparation was initially problematic as nobody knew how such criteria should look like, and mostly focused on the coherence of a project with ITI strategy objectives, complementarity with other projects realized in FUA, and contribution towards key indicators that each ITI should deliver.
The majority of FUAs share responsibilities regarding project assessment between IBs and MAs. MAs conduct the initial formal assessment, and the main quality assessment. When all necessary criteria are passed, IBs assess the projects’ compliance with the ITI strategy. This is conducted either by IBs’ employees or independent experts. Although in theory IBs’ influence on project selection is limited, in practice projects are typically preselected and the assessment is rather a quality-check rather than actual selection, so IBs’ informal role is in fact broader.

Apart from the Walbrzych case, MAs kept the accountability for financial management, with a focus on the following key activities:
- Fund distribution among the investment priorities available for ITI.
- Manage project calls and decide on the amounts available in each of them.
- Sign project contracts with beneficiaries.
- Certify expenses to be reimbursed.

IBs usually play an advisory role in these processes, representing the needs of local authorities. They negotiate the availability of investment priorities, suggest the schedule, focus on the following key activities:
- Manage project calls and decide on the amounts available in each of them.
- Sign project contracts with beneficiaries.
- Certify expenses to be reimbursed.

Monitoring and evaluation
All Polish ITI IBs are responsible for monitoring of ITI implementation. Monitoring was interpreted and performed in various ways, e.g.:
- Gathering data on funds absorption.
- Coordinating projects preparation and realisation.
- Spreading information among municipalities and the MA, and
- Monitoring visits to assess the progress in project realisation.

ITI evaluation in all regions is embedded in the ROP evaluation system and conducted fully by the MAs. It consists of assessing the progress in funds absorption, achieving particular indicators related to thematic objectives, as well as thematic evaluations on chosen aspects of ITI implementation.

### TABLE 3.
Scope of task delegation to local authorities during ITI implementation

<table>
<thead>
<tr>
<th>Policy implementation stage</th>
<th>Responsible institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>Led by urban IB, approved by MA and national government</td>
</tr>
<tr>
<td>Project selection</td>
<td>Shared among MA and urban IB</td>
</tr>
<tr>
<td>Financial management</td>
<td>Led by MA, urban IB’s informal influence</td>
</tr>
<tr>
<td>Monitoring</td>
<td>Urban IB, reporting to MA</td>
</tr>
<tr>
<td>Evaluation</td>
<td>MA</td>
</tr>
</tbody>
</table>

Source: van der Zwaet, Mirek, Berkiowski-Wasek (planned for 2019)

Conclusion
In general, the added value of ITIs is clear across the following dimensions:
- As an implementation tool it is first of a kind in bringing substantial EU funding to FUAs, and it brings a novelty in both an instrument focusing specifically on cities and stimulating territorial coordination of EU-funded investments.
- As an organizational instrument, ITIs provide external incentives and framework for intermunicipal partnerships in Polish FUAs. Before ITIs were introduced through EC financing, few FUAs were incentivized to establish collaboration frameworks, and in those cases where they were established, they had limited activity. Currently there are 10 functioning associations and 14 agreements and ITIs have had a direct role in the formalization and activation of intermunicipal cooperation within Polish FUAs.
- The ITI instrument stimulated joint strategy preparation. As a planning instrument, the ITI enabled more municipalities to elaborate a strategy inclusive of areas beyond their boundaries. The quality of ITI strategies differs and there is definitely a scope for improvements in terms of integrated approach to local development, but undoubtedly ITI motivated neighboring municipalities to discuss their problems and try to coordinate their investments.
- As an engagement instrument, the ITI enabled more urban authorities’ scope for informal and formal influence in relation to EU funding allocation and project selection. This was due to the dominance of the non-competitive mode of ITI project selection, and newly created ITI IBs actively participating in project preselection, project criteria elaboration, and project assessment.
- ITI IBs are responsible for monitoring of ITI implementation, which is a new task connected to EU funds at the urban level.
- As a capacity building and sharing platform, there is a crucial added value of ITI for building skills, rules, and habits of the intermunicipal collaboration in Polish FUAs. IBs play an important role of partnership brokers animating collaboration, delivering information and training, mitigating conflicts, and organizing regular meetings at the political and operational level among FUAs partners as well as between local and regional authorities.
- As ITIs are implemented in all Polish regions, they stimulated creation of new cross-regional networks of IBs and FUAs. A few FUAs additionally joined international networks to exchange experiences of SUD instruments with other countries.
- All the above aspects contribute to ITI’s substantial role in administrative capacity building at the local level. Not only were new local institutions created, but they were also delegated new important responsibilities regarding EU funds’ management, and they proved to play a significant role in managing integrated local development and intermunicipal collaboration.

Still, there are some limitations about the extent to which ITIs bring change regarding previous periods of EU Cohesion Policy implementation in Poland. IBs got involved in almost all stages of ITI implementation, but the main accountability and decision-making power was retained by MAs. Regional authorities approved ITI strategies and FUAs collaboration statutes, elaborated the majority of project selection criteria, conducted the majority of project assessments, kept the financial management responsibilities, and prepared the ITI evaluation system. Moreover, the change towards integrated approach to local development has started, but there is still a lot to improve.
The share of ITI projects realized in partnership is insufficient (Janas & Jarzegowski, 2017, pp. 70-71), although even formal partnerships cannot guarantee full territorial integration. Also, the character of a majority of planned individual projects seems to be rather fragmented, and the potential of influencing neighboring municipalities in many cases is limited. Joint integrated initiatives, expertise studies or projects initiated by the ITI IBs are still notable exceptions and play a role of recent good practices promoted by the national government among the rest of FUAs. This can be explained by late elaboration of ITI implementation guidelines at the EU level and numerous changes in associated national guidelines, which resulted in the preparation of ITI strategies and projects in a rush, and in the context of ambiguity of rules and definitions.

Another issue is the ambition of local political leaders, who tried to use the higher influence on ITI funds allocation for individual gains, which can result in short-term, non-strategic projects. Moreover, pressure on funds’ absorption speed, exerted by the European Commission, national government and MA, has a direct influence on the behavior of local actors, who are incentivized to prioritize simple and fast, rather than complex and quality projects. Thus, project partnership and integrated character raise the risk of untimely implementation, as they prolong the project preparation processes due to the higher number of actors and increased scope of intervention. The pressure on absorption is characteristic of the EU funds management system. If ITI are expected to raise the quality and integration of EU investments, tackle complex challenges across jurisdictions, some of these rules will need to be reconsidered.

Polish Case studies

The next section characterizes the mechanisms used for ITI implementation in two Polish Functional Urban Areas: The Central Subregion of the Slaskie Voivodship and the Lublin Functional Area. They were selected after consideration of their legal form, size, population, budget, and project selection mode. Key data on these two FUAs are provided below.

<table>
<thead>
<tr>
<th>CASE STUDY</th>
<th>The Central Subregion of the Slaskie Voivodship</th>
<th>The Lublin Functional Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal form</td>
<td>Association</td>
<td>Agreement</td>
</tr>
<tr>
<td>The core ITI city</td>
<td>Katowice/Gliwice1</td>
<td>Lublin</td>
</tr>
<tr>
<td>Number of local government units</td>
<td>81</td>
<td>16</td>
</tr>
<tr>
<td>Number of inhabitants</td>
<td>2.76 million</td>
<td>0.55 million</td>
</tr>
<tr>
<td>ITI budget</td>
<td>739.1 million euros</td>
<td>105.4 million euros</td>
</tr>
<tr>
<td>ITI budget per capita</td>
<td>286 euros</td>
<td>192 euros</td>
</tr>
<tr>
<td>ITI budget per local government unit</td>
<td>9.12 million euros</td>
<td>6.6 million euros</td>
</tr>
<tr>
<td>Project selection mode</td>
<td>Competitive</td>
<td>Preselection</td>
</tr>
</tbody>
</table>

Each case study will be analyzed in terms of the following aspects:

- **Local context**: capture the elements shaping intermunicipal collaboration in each FUA.
- **Scope of collaboration**: characterize the joint actions that partners agreed on.
- **Institutional mechanisms**: established in each FUA to capture the key issues that needed to be agreed on to ensure ITI implementation, and
- **Future prospects**: assess the likelihood of prolonging collaboration among partners after the termination of dedicated ITI funding.

**CASE STUDY 1: Central Subregion of the Slaskie Voivodship**

**Local context**

The Central Subregion of the Slaskie Voivodship is the biggest FUA targeted by ITI instruments in the EU. It is one of the two biggest metropolitan areas in Poland with nearly 2.7 million citizens. It is a polycentric area, including 15 cities with around 100-250 thousand inhabitants each, and 58 surrounding municipalities. The number of municipalities matters in terms of the negotiation and bargaining processes within ITI implementation, as the more actors are involved, potentially the more difficult it is to achieve consensus, and the more partners there are to divide the ITI funding amongst.

**FIGURE 10. Map of the Central Subregion of the Slaskie Voivodship**

The polycentric character shapes intermunicipal collaboration, as there is not a single dominant municipality, and a higher interdependence among jurisdictions. Instead, there are multiple partners with similar challenges, potential and ambitions. On the one hand, this homogeneity allows mutual understanding of each other’s problems and interests and provides a base for partnership approach. On the other, similar ambitions stimulate competition among the municipalities, which could discourage them from exchanging information on their investment plans and supporting each other’s development.

1 The official regional capital is Katowice, while the headquarter of the ITI association is Gliwice.
In this context, it has to be highlighted that the Central Subregion is characterized by a strong regional identity. This is exceptional in Poland, as in other regions citizens tend to identify themselves with particular municipalities and then the nation as a whole. The Silesian identity is based on historical background, as for a long time this area was either ruled by German authorities or was autonomous. Even nowadays there is a political party, Autonomous Silesia Movement, gaining seats in regional and national parliaments. The citizens feel culturally distinct from the rest of the country, creating a sense of unity. This was also true for the mayors partnering in the ITI, who often talked about the development dividends for the whole metropolitan region, not only their municipality. However, a small part of the functional area historically belonged to the part of Poland occupied by Russia and developed a different culture and identity. These historical-geographical contexts created tensions between the mayors representing municipalities in the two parts of the Central Subregion and influenced negotiations of the collaboration agreement for ITI implementation.

The distance between some of the municipalities of the FUA exceeds 100 km. The size of the area influences intermunicipal collaboration, because proximity usually determines more interdependence among jurisdictions. This could undermine the will to collaborate among distant municipalities, but the polycentric character and varied directions of everyday mobility of inhabitants served to reinforce the need to collaborate, even at such a large area.

One of the biggest tension points influencing collaboration, especially in the beginning, was between the capital city and the other municipalities. Other mayors did not trust the capital city to be fair in ITI resources distribution and wanted to ensure that their interests would be covered by the collaboration agreement. The mechanisms ensuring fair power and resources distribution will be described in the next section.

Other potential tensions among mayors influencing collaborations could have a politically partisan character. However, according to local actors, partisan affiliations of mayors mattered only for the power distribution in the ITI Board, including 15 out of 73 municipalities (for more details, see the next section). Later, during resource distribution, ITI strategy preparation and actual ITI implementation, partisan factors seem to have had a marginal influence. The division between mayors was based more on efficiency in EU funds absorption (municipalities timely using all allocated funds vs. those experiencing problems with administrative capacity or for other reasons not preparing planned projects).

One of the success factors is attributable to the character and personalities of the lead individuals. In the Central Subregion, both the president of the ITI board and the director of the ITI secretariat of the association displayed the requisite leadership characteristics. The president of the ITI board played a central role in shaping intermunicipal collaboration in the Central Subregion. He was actively involved in building trust among mayors, overcoming prejudices against the capital city, and creating collaborative mechanisms that were perceived as fair and including interests of all municipalities. His personal experience in intermunicipal collaboration and his esteem among other mayors were crucial in the success of collaborative processes in the Central Subregion. Similarly, the director of the Secretariat of the Association was key in brokering partnerships among civil servants involved in ITI implementation and ensuring project coordination.

As ITIs in Poland are embedded in regional Operational Programmes, the relations between local and regional authorities mattered. First, the Managing Authority of the ROP had limited trust towards the administrative capacity of the newly created association of municipalities due to the lack of experience in managing EU funds by local authorities. Before the ITI, they only applied for funds in the role of beneficiaries, while for ITI implementation they were supposed to perform tasks of an Intermediate Body. This influenced the decision to delegate only a limited scope of tasks to the local level, similarly to other FUAs in Poland. However, the scope of tasks was increased over time (see next section), which shows growing capacity of the IB and trust in local-regional relations.

The second aspect of multilevel relations is that the Silesian region is highly urbanized, and majority of citizens live in the Central Subregion. This was one of the reasons why regional authorities had an interest in investing substantial amounts in sustainable urban development and divided the whole region between four subregions, each targeted by an ITI instrument. Additionally, they invested especially in the Central Subregion by adding resources from the Silesian ROP and raising the ITI funding above the 5% minimum. This influenced intermunicipal collaboration, as the increased resources available through ITI raised the benefits from participating in the collaboration, while also raising political interest in this instrument. The ITI partners acknowledged that Silesia never had such a development chance as through the ITI instrument. This strongly motivated mayors to collaborate and provided an important collective interest. The substantial resources also diminished tensions among partners, as there was a feeling that there will be enough investments for everyone.

Another factor influencing ITI implementation in the Central Subregion was the earlier experience in interjurisdictional collaboration. All Silesian municipalities belong to the Association of Silesian Authorities, and the ITI Board President is also the head of the Association of Polish Cities. Moreover, in the 2007-2013 Programming Period, the majority of municipalities participated in a pilot project dedicating an amount of money to a number of municipalities who agreed on preselected projects. All these experiences allowed political and administrative representatives of the municipalities to get to know each other and better collaborating mechanisms (some more successful than others). In this way, collaboration around ITI implementation was based on a relative trust among municipalities.

**Scope of ITI collaboration**

The literature on collective action usually distinguishes 4 major types of intermunicipal collaboration:

- **Coordination**: focusing on exchanging information about each other’s activities, and trying to adjust to mutual plans in order to achieve functional or physical complementarity.
- **Scale effects**: allowing to save costs of delivering similar services.
- **Common pool resources**: sharing the responsibility to manage resources to which multiple jurisdictions have access, (e.g. a river, air, lake, park, forest etc.)
- **Internalizing externalities**: focusing on minimizing the negative effects of actions by one municipality on the others (e.g. pollution) or sharing the benefits of positive actions.

In the Central Subregion, the majority of ITI activities focused on coordination. This was managed by the ITI office, which played an important role in facilitating information exchange among municipalities, organizing meetings on particular topics at political and administrative level, and linking partners planning similar investments. The projects were rarely prepared in formal...
partnerships, but coordination was stimulated in an informal way. For example, municipalities coordinated their investments in vocational schools by agreeing on the geographical distribution of their specializations. The idea was to equip nearby schools with different facilities, diversity the offer of vocational schooling in the metropolitan region and avoid duplication of investments in schools located nearby each other.

Another example is coordination of investments in kindergartens after a joint analysis of the functional area in terms of the number of missing places for children in particular municipalities. Jurisdictions acknowledged each other’s needs, observed that sometimes families living near the border of a municipality can use facilities of the neighboring jurisdiction, and decided to apply for investments in the localities with the lowest access to kindergartens.

The last example is related to the urban regeneration of post-mining and post-industrial housing areas. In the Central Subregion, these territories are often located on the border of two municipalities and investing only in one part would produce an incoherent effect. Therefore, within the ITI instrument, jurisdictions coordinated their investments in regeneration of the areas.

There are also examples of scale effects achieved by a few initiatives of joint public procurement, e.g. ordering documentation of bicycle paths in multiple neighboring municipalities by one contractor. This allowed both saving the individual cost of documentation preparation, but also ensured coherent plans of cycling paths beyond administrative borders, allowing citizens to commute between municipalities.

There were no activities within ITI implementation covering common pool resources nor internalizing externalities.

However, municipalities from the Central Subregion got involved in joint activities beyond ITI funding. As an association, they jointly applied for external EU projects and ordered a joint transport diagnosis of the whole area. The latter is one of the biggest investments in a metropolitan funding. As an association, they jointly applied for external EU projects, and ordered a joint contractor. This allowed both saving the individual cost of documentation preparation, but also ensured coherent plans of cycling paths beyond administrative borders, allowing citizens to commute between municipalities.

There were no activities within ITI implementation covering common pool resources nor internalizing externalities.

Institutional mechanisms established for ITI implementation

The first mechanism that needed to be established was the legal form of collaborations. Mayors decided to create a new intermunicipal association for the purpose of ITI implementation. The membership in the association was voluntary and the council of each municipality had to officially express the will to join, and each mayor had to sign the collaboration agreement. This document included the aims and rules of collaboration, defined membership fees, and specified the main bodies responsible for the joint actions, such as:

- **Secretariat**, including 10 employees:
  - ITI Assembly formed by all municipalities and counties (powiats);

Formal division of the area into five parts called “sub-regions,” following the official NUTS3 boundaries (mainly based on the number of inhabitants rather than a number of municipalities. see Figure 11): ITI Board formed by 15 mayors, including three representatives of each of the five sub-regions;

- ITI Board President, usually called “ITI leader”
- ITI Revision Council formed by key institutions located in the Central Subregion; and
- ITI local coordinators in all 15 municipalities belonging to the ITI Board.

The composition of these bodies shows the agreed power distribution among partners. The role of ITI board president was given to the mayor of Gliwice, one of the 15 big constituting the ITI. This ensured that the capital city would not dominate the association. The Board meets once every month to agree on ongoing issues related to ITI implementation. At the same time, the regional capital Katowice was appointed as a chair of the ITI Assembly in order to provide it with an important role in the association. The assembly meets at least once a year to accept the annual report on the association’s performance, and jointly decide on other crucial issues requiring the vote of all municipalities. The secretariat employs inhabitants of various municipalities in order to mitigate against dominance of one city’s interests in joint administration.

In terms of the scope of delegated powers and functions to the Intermediate Body, the Central Subregion followed the typical division described in the chapter on the Polish ITI system. There are two major distinctions, which were introduced after a certain period of implementation, and depended on the bottom-up initiative of the ITI Secretariat willing to take up more tasks. The first is to conduct a merit-based assessment of ITI projects, which was previously undertaken exclusively by the MA. The second is an extensive monitoring of ITI implementation, for which the
Secretariat created a dedicated online platform for information sharing among municipalities, and on-going data collection on the progress in ITI funds’ absorption. Additionally, they prepare annual reports on ITI funds absorption and attendance of ITI related training by representatives of each municipality. This enhances the knowledge on mutual progress in investments and strengthens the interrelation between administrative capacity building and performance in absorption of EU funds.

Other mechanisms that had to be agreed on are:
- ITI-specific project selection criteria
- project selection mode (competitive, non-competitive); and
- the form of projects (individual vs. linked by a formal partnership)

The specific project selection criteria were created in addition to the formal and merit-based criteria taken into consideration during project appraisal. Each project has to fulfill at least 50% of these criteria to ensure that it goes along the ITI strategy. These criteria are assessed by employees of the secretariat (when funded from ESF), or independent experts employed by the secretariat (when related to ERDF).

The project selection mode was a controversial issue in the Central Subregion, as the association preferred the non-competitive mode, used in majority of Polish FUAs implementing ITI related to ERDF. However, the European Commission did not agree to this mode due to substantial resources dedicated to the Central Subregion, and consequently, all ITI resources are distributed within competitive project calls. This opened access of private and Non-governmental organizations to ITI funds usually reserved for municipalities. As an answer to this situation, the Association created a mechanism for incentivizing external entities to inform the Association about their plans of project application and gave extra points to those projects which they supported, as these were more aligned to the ITI strategy. Although the mode of project selection was competitive, municipalities were still cognizant of the need for joint strategy and coordinated investments. Therefore, they created an informal system to exchange information about planned investments, which limited duplication of projects and competition over EU funds. When partners jointly agreed that investments were needed in smaller municipalities, the bigger cities did not apply for projects in this particular project call. In this way all municipalities gained a chance in absorbing EU funds, while previously smaller jurisdictions, with lower administrative and financial capacity often lost in open competition against bigger cities.

Last, the Central Subregion opted for an informal coordination of individual projects as opposed to projects bound in a formal partnership. This was done mostly because of formal interdependence of municipal investments and different project readiness stages, which in their assessment could slow down funds’ absorption. This created the risk for opportunistic behavior as a municipality may apply for a different project than agreed. Therefore, additional informal mechanisms were created to prevent defection, and they were mostly based on an informal mutual peer pressure by mayors.

Future prospects

In the Central Subregion, the continuation of collaboration among municipalities was perceived as obvious and necessary. The successful ongoing implementation of the ITI was attributed, in part, to this as well as the recent legal proclamation of a new administrative unit – the Gornoslasko-Zaglebiowska Metropolis. The unit provided the only official authority at the metropolitan level in Poland and was created by majority of municipalities belonging to the Central Subregion. The metropolis was created after a long process of lobbying the national government and demonstrated the will of municipalities to address problems that go beyond their administrative boundaries.

The benefits from collaboration, according to municipal representatives, was that the direct incentive to start collaboration was the possibility to have dedicated EU funds. As the ITI funds money were reserved for the FUA, less municipalities were eligible to apply. Consequently, the competition over funds was smaller and the chance to acquire them was higher. Moreover, the initial plans included the possibility of project preselection, which is similar to a guarantee of financing for agreed investments. However, according to many municipal representatives, funding was not the only benefit. Some acknowledged the interdependence between municipalities and the possibility that the development of an adjoining municipality would have positive region-wide spillover effects. This aspect was especially highlighted by the ITI leader, who actively propagated this approach among other mayors. As for the benefits observed during ITI implementation, local actors admitted mutual learning and inspiration on both strategic and operational levels, as well as strengthening their collective voice when negotiating some issues with higher level organizations as an Association. Many municipal representatives said that they also got to know each other and became more collegial.

Municipalities already engage in joint activities not funded from ITI such as the transport study described earlier in this chapter, which is partially financed by municipal fees. They also prepared past 2020 analysis of potential scope of collaboration. These aspects show that municipalities see benefits in collaboration even without ITI funding, although the fiscal instrument definitely boosts the possibilities of joint actions and investments and provides structure and incentives to meet regularly at both political and operational levels. This, in turn, builds trust and strengthens future prospects of collaboration.

CASE STUDY 2: The Lublin Functional Area

Local context

The Lublin Functional Area (LFA) is characterized by similar features to an average ITI in Poland. It includes 16 municipalities (see figure below), covers a population of over 500 thousand people, and disposes a budget of over 100 million Euros. It is a monocentric area focused around the capital city of Lublin, providing home for around 67% of LFA’s inhabitants. Each of the remaining 15 municipalities represent from around 1% to 8% of the population. The dominance of a single partner strongly shapes the collaboration, as the capital has much higher resources, capacity, potential ambitions and challenges from the other municipalities. They are clearly dependent on the city, in which many inhabitants of the outskirts work, attend education and use many services. This creates an uneven relation, in which the city can dictate the rules. As an effect, the beginning of collaboration was hard due to the limited trust towards Lublin among municipalities, which were afraid of an unfair division of resources.

Another important aspect is the relative homogeneity of the 15 municipalities which on the one hand stimulates competition, but on the other mitigates collaboration through similar interests. Common challenges are strengthened by proximity, as limited physical distance between municipalities raises the number of common issues and challenges. Additionally, the relatively small number of municipalities belonging to the FUA potentially makes it easier to achieve consensus than in bigger areas.
An important aspect is also a weak economic situation of the FUA, as it influences administrative capacity and investment possibilities. Due to historic reasons, the eastern regions of Poland are among the poorest parts of the country.

**FIGURE 12.** Map of the Lublin Functional Area

Although Lublin developed relatively dynamically, the surrounding municipalities have very limited revenues, lack basic infrastructure (e.g., sewage systems), and dispose a minimal investment budget. The local public administration employs few civil servants (in the smallest municipalities in total around 20 people), often including only one person responsible for preparing all the EU projects. With limited human resources, the usual chance of acquiring EU funds by small municipalities located in FUA is very low. They do not prepare many applications and it is hard to ensure sufficient quality of those prepared, mostly because of the limited thematic expertise, human resources and budget. Their administrative capacity is low and grows slowly due to little experience in managing EU projects gathered over time. At the same time, the capital city has a whole team working solely on preparing and implementing EU projects, as well as thematic units employing experts in particular fields, helping to ensure the quality of planned investments. Consequently, in a competitive call for EU funds, the city has a much higher chance of obtaining funding. In this context, intermunicipal collaboration has a huge potential benefit in terms of mutual learning, coordinating investments among partners, and building administrative capacity in the whole FUA.

Similar to Silesie, the party affiliation of mayors seems not to have a major influence on the shape of collaboration. The clear clash dividing the partners was between the capital city and the remaining municipalities, but this has more complex reasons than only the partisanship, as partially explained above. Party affiliation, however, seem to matter in the relations between the local, regional, and national authorities, particularly between the Polish government, marshal of Lubelskie voivodeship and the mayor of Lublin, which became apparent especially after the change of authorities following the national elections in 2016. and local and regional elections in 2018.

The regional-local relations had a direct influence on the scope of delegated tasks from the Managing Authority to the Intermediate Body of ITI. Regional authorities had a limited trust towards the local level of administration due to lack of experience in managing the implementation of EU policies. Consequently, they decided to go with the minimum scope of their involvement in the process of ITI implementation. This was later extended to monitoring visits, following the ministerial disposition of including ITI IB in monitoring project implementation. Moreover, an important factor for shaping ITI collaboration in Lubelskie was the rural character of the region. The majority of inhabitants live in villages and smaller towns, so regional authorities did not want to invest more than the required 5% of ERDF and nationally-demanded ESF to the LFA. This influenced the size of the ITI budget, which is much smaller than in Silesia, not only nominally, but also per capita and per municipality. The size of budget influenced the perceived importance of the instrument. For smaller municipalities, ITI provided an attractive source of investments, while for the city it was one of many important funding opportunities (e.g., next to Operational Programme Eastern Poland). In general, the funds were perceived as insufficient, so the competition over them among municipalities could be assessed as higher than in Silesia.

In the context of limited trust of municipalities towards the capital, and the clear disproportion of capacities, the role of the mayor of Lublin as an ITI leader was crucial. His attitude towards collaboration directly influenced the scope and depth of joint activities, the perceived importance of ITI meetings, and trust building among partners. This attitude was generally positive but limited because of legal limitations to establish collaboration in a few of the most important areas, e.g., spatial planning. Indeed, in Poland there is no legal background for legally binding spatial plans at the agglomeration level. However, some FUAs in Poland jointly prepared such plans for their territories, and informally followed them for their municipal spatial planning. In this context, the director of the ITI office was perceived as a partnership broker, making sure that collaboration between mayors and civil servants representing all municipalities goes smoothly and effectively.

Last, the municipalities belonging to the Lublin Functional Area (LFA) had relatively little experience in earlier interjurisdictional collaboration. Lublin mostly focuses on collaboration with cities and towns located outside LFA, mostly international cooperation on thematic collaboration in particular economic sector. Individual municipalities formed bilateral agreements on joint service delivery or collaborated with a few others in a joint EU project application. A few municipalities belonged to other intermunicipal agreements focusing on tourism or other thematic areas. Building the foundation for ITI collaboration was an EU-funded project lead by Lublin and partners by most of LFA municipalities. It was performed in the end of the 2007-2013 period, and it aimed at preparing a diagnosis of socio-economic situation of the whole area and collected data for the purpose of the final ITI strategy. The informal effects of the project included representatives of municipalities to get to know each other, build initial trust, and realize joint challenging and development opportunities. Thanks to this experience, ITI implementation did not start from scratch, but was a continuation of previous joint activities.

**Scope of collaboration**

Within the context of ITI implementation in Lubelskie, the activities will be analyzed following the four most common types of collective action in the literature (coordination, scale effects, common pool resources, and internalizing externalities).

In Lubelskie, a great majority of joint activities were focused on coordination. Projects in a similar thematic area, planned by various municipalities, were linked by a formal partnership. This included investments in revitalization, transport, broadband, and environment. The extent to which all projects were actually complementary is hard to assess as often they were not planned together. Still, they went through the same procedure, and municipalities consulted each other in the project preparation process. There are two examples of a more concrete coordination:
Cycling paths passing through a few municipalities and creating a coherent investment. This was achieved thanks to a local civil servant, who encouraged other municipalities to employ the same cycling paths designer with the indication that the paths should match and allow commuting between municipalities. This initiative allowed commuting from a town that does not have a border with Lublin, to a commute through two other municipalities to the city. However, it should be highlighted that there was not a joint project planning cycle paths in the whole area.

A system of transport hubs, including one in Lublin (Integrated Communication Centre – later ICC), and 10 in the outskirts. It allows the inhabitants of smaller municipalities to commute to Lublin more efficiently (e.g. leaving cars or bikes at a park & ride) and continue the journey by public transport. The ICC, with corresponding hubs, was perceived as the most important investment of ITI in LFA. The decision of their location was to some extent coordinated by the Lublin’s Transport Authority and based on data, but some of them came from the individual initiative of municipalities, as there wasn’t any joint study indicating the most relevant locations. However, one example shows an efficient coordination of the hubs – two of them were planned right next to each other on two sides of the border between Lublin and Glusk. The municipalities communicated and agreed that the hub will be located and funded by Lublin, but Glusk will build a road leading to the hub from the municipal center. In this way, ITI mechanism allowed avoiding duplication of similar investments next to each other.

Scale effects were achieved by a few initiatives of joint public procurement and joint service delivery. A good example of both kinds of scale effects were visible in the partnership project e-municipalities, establishing a broadband network in all of them. The municipalities prepared the project together, designing the network for all of them. Later, they organized a joint public procurement procedure to choose a company that will deliver broadband services to all municipalities. Involved municipalities assessed that both joint preparation of the project and joint service operator save costs for individual municipalities and ensured the same quality of the service.

There were no activities within ITI implementation covering common pool resources nor internalizing externalities. One municipality acknowledged a potential for joint project regarding a forest located on the border of two jurisdictions, and another talked about a tourism development plan around a river passing through a few municipalities in LFA. However, none of these ideas was transferred into an ITI project.

Beyond the formal partnerships around ERDF-funded projects, a few municipalities volunteered to partner with a few others to jointly apply for ESF funding. This followed a competitive procedure: and municipalities were not obliged to engage in intermunicipal collaboration in this regard. The partnering process was then based on a successful collaboration, joint interests, and acknowledging a real benefit from joining forces. Municipalities did not engage, however, in any project related to LFA development that would be funded from other sources than ITI or regional Operational Programme in general.

**Institutional mechanisms established for ITI implementation**

The form of collaboration was the first institutional mechanism that needed to be established. Mayors decided to go for the simpler option and sign an agreement of collaboration for the purpose of ITI implementation. Joining the agreement was voluntary and the council of each municipality had to express the will to enter the collaboration, in addition to the mayor’s signature. This document included the aims and rules of collaboration and specified the main bodies responsible for joint actions:

- ITI Council formed by all the mayors of partnering municipalities;
- ITI Council Chair, usually called ITI leader;
- ITI local coordinators in all 16 municipalities;
- ITI Office including 10 employees.

The shape of these bodies shows the agreed power distribution among partners. The number of municipalities allowed a direct participation of all the mayors in the main decision-making body. The council meets at least twice a year to agree on the most important strategic issues connected to collaboration and ITI implementation. The voting system defines that to make a joint decision, a simple majority of municipalities have to be in favor of it. Provided thus, that one of them is Lublin. In other words, Lublin reserved a veto power and ensured that no decision is taken without its approval. This rule was not contested by municipalities, which perceived the dominant position of the capital city as natural and fair. Consequently, the position of the ITI leader was assigned to the mayor of Lublin without a major debate. In practice, the deputy mayor of Lublin usually chaired the meetings of ITI Council in the absence of the mayor himself. Each municipality delegated one employee as an ITI coordinator, responsible for ITI project in this jurisdiction. The coordinators were given an extra payment to their normal salary, funded mostly (by 5%) from the Technical Assistance project, the same from which the salaries of most ITI office employees came. The coordinators meet every month to discuss most pressing issues related to the operational aspects of ITI implementation. The ITI office was created inside the structures of the Lublin City Office, which means that all their employees were hired directly by Lublin. This influenced the power relations among municipalities, as the ITI office was directly accountable to the mayor of Lublin, and therefore naturally were obliged to represent the interest of the city rather than the whole LFA. This initially limited trust of the smaller municipalities towards the ITI as an instrument, but on the other hand, they were happy to delegate the IB tasks to the city. The trust and representation of a broader interest were built over time by ITI Office employees, but the double accountability issue (formal towards Lublin, and functional towards all municipalities) of times turned out problematic and created conflicts of interests.

In terms of the scope of task delegation to the Intermediate Body, Lubelskie also followed the typical division described in the chapter on the Polish ITI system. Their main role was to build the collaboration rules, lead preparations of the LFA ITI strategy, organize trainings and coordinate preparations of projects. They also organized meetings of all ITI bodies described above, and collaborated with the regional MA, other Polish ITI and national government on the current ITI implementation rules, guidelines and plans. As the implementation advanced, the government required also taking a monitoring role by ITI IBs; and LFA will collaborate with MA for monitoring visits, in order to see the progress of particular investments at their actual location.

Similar to Słaskie, the remaining mechanisms that needed to be established are:

- ITI-specific project selection criteria;
- Project selection mode (competitive, non-competitive); and
- Form of projects (individual vs linked by a formal partnership).

The specific project selection criteria were created in addition to the formal and merit-based criteria taken into consideration during project appraisal. Each project has to fulfill majority
of these criteria to ensure that it goes along the ITI strategy. These criteria are assessed by employees of the Secretariat, both in the case of ERDF and ESF projects. Additionally, ITI projects are assessed along the same formal and merit-based criteria as in all the project calls within the Regional Operational Programme of Lubelskie.

The project selection mode used for ERDF ITI projects in LFA is the non-competitive one. This went along the expectations of the municipalities, which wanted to gain direct influence on the choice of investments and perceived it as a guaranty of their investment plans. The guarantee was important for municipalities due to the usual intense competition for EU funds, because the smaller municipalities do not have high chances to secure funding. Moreover, it provided a guarantee that the municipal investments to prepare a technical documentation of a project is not wasted. Last, the non-competitive mode also limited the pork-barrel logic in distributing EU funds which according to some local actors was present in Lubelskie.

During the stage of ITI strategy preparation, the municipalities came up with the list of projects - strategic for the development of LFA - and included them in the official strategy. This also included an informal division of ITI resources, as the projects differed in terms of budgetary and thematic scope. It was especially important to find a solution that was perceived as fair by all municipalities, as without a consensus on this matter mayors would not be willing to engage in further collaboration and ITI implementation. Negotiations were complicated due to the dominant position of Lublin, which argued that all LFA inhabitants use its services and infrastructure and therefore almost all investments should be located in the city. This was unacceptable for the remaining municipalities, which wanted to invest directly in its own territory. Finally, a consensual agreement followed the logic of proportional funds division according to share of LFA population. It could be discussed whether such allocation reflects strategic development, but from the perspective of interjurisdictional collaboration the important issue is the perception of fairness among key decision makers – in this case mayors (especially in the alternative in case of pork-barrel logic in funds redistribution). In this way, ITI empowered local actors (mayors) decentralizing the decision-making power to the mayors. The MA still had to approve the strategy and the list of preselected projects and assessed them in terms of formal accuracy and quality in the same way as projects in the competitive procedure. Additionally, LFA municipalities had to prepare project fiches to be accepted for the preselected list by the Managing Authority, and then draft projects before the formal application. In this way, Managing Authority monitored the process of ITI project implementation, but also formalized the process while it was intended to be more straightforward. To fund ESF projects from the ITI allocation, municipalities have to apply in an official, competitive procedure.

Formal project partnerships were created among municipalities preparing thematically associated projects. This solution was advised by JASPERS during the preparation of the ITI model to be implemented in Lubelskie, and then required by the Managing Authority. Interestingly, the partnerships were formally not joined by Lublin, which successfully negotiated to pursue only individual investments. They argued that Lublin’s projects are bigger and more complex than those prepared by municipalities and wanted to limit their formal interdependence in order to ensure efficient implementation. Each of the four partnerships (Mobile LFA, Green LFA, E-Municipalities and Revitalisation), elected one municipality as its leader, who took the coordination role of individual projects and organized partnership meetings, at least every four months. The creation of partnerships can be assessed positively as it led to frequent meetings of municipalities related to similar projects, stimulating knowledge exchange on mutual investments and in this way coordination. However, it should be taken into account that it also slowed down the process of implementation, as the municipalities which were ready with their parts of investments had to wait for these involved in more complicated documentation-related, organizational or political problems. In addition, the level of actual functional coordination of investments remains unknown, as only a few of them involved in joint planning of ITI investments.

Future prospects

In the Lublin Functional Area, the continuation of collaboration among municipalities is perceived as potentially useful, but not obvious. They claim that a lot depends on the continuation of dedicated EU funding to ITI, as many municipalities are in a poor financial condition and without the EU funding would not be able to engage in joint investments. Additionally, they are reluctant towards transferring the agreement into an association, mostly due to financial constraints (membership fee, the need to fund the secretariat and manage HR, legal and procurement issues by the new institution, while now everything is covered by the city). This fear was expressed after the government suggested that all ITI might need to change their form into an association, a more advanced form of intermunicipal collaboration allowing more independence and activity. Additionally, some of them are skeptical towards the instrument because of too much formalization, and the consequent delays. This is directly related to gold-plating in terms of the number of draft versions of preselected projects, control and monitoring procedures, and formal project partnerships. These elements of the ITI system in Lubelskie, although created with reasonable aims, caused frustration among partners and limited the perceived benefits from collaboration.

At the same time, they highlight that there are areas in which intermunicipal collaboration is very much needed, if not necessary. One of them is transport integration, e.g. in terms of ensuring public transport to the outskirts. Currently, this process is managed by the Lublin Transport Authority, based on bilateral agreements with other municipalities asking for the service, usually these sharing a border with Lublin. There is not any plan of creating a coherent public transport system for the whole agglomeration. Another area noticed by municipalities as potentially beneficial on top of what is currently done under ITI, is a joint tourism offer. They highlight that single municipalities find it difficult to reach tourists visiting Lublin and see a potential in sharing information about each other’s attractions, to encourage tourists to visit more places and to stay longer in LFA. Other areas include joint planning of localization of investments, spatial planning and further broadband development.

A benefit of intermunicipal collaboration noted by local actors is the focus on genuine mutual learning. This includes learning each other’s investments, technicalities that allow improving the speed and accuracy of project preparation process, as well as the quality of planned investments. They are no longer isolated in project preparation – which is especially important in the municipalities that employ a single person for EU projects – and it is normal to call other municipalities in case of doubt, request advice or information exchange. As for mayors, they appreciate the increased strength of their voice when communicating with external institutions as an LFA rather than a single municipality. Lastly, both ITI coordinators and mayors built personal friendships, which make collaboration a pleasant experience and additionally encourage them to attend the ITI meetings.

Although the municipalities do not engage in many non-ITI funded joint activities, they recently expressed the will of continuing the collaboration by joint preparing strategic documents, defining potential future collaboration areas and objectives. The document includes the hope of acquiring
EU funds to realize joint objectives but it seems that at least some of the agreed investments are important enough to be realized even without the external support. Still, at least keeping a joint administrative body at the agglomeration level seems to be crucial in order to ensure efficient collaboration, either funded by EU or other external or internal funds.

Conclusions

The summary will reflect upon crucial conclusions from the analysis of the case studies in the four considered areas: local context, scope of collaboration, institutional mechanisms, and future prospects.

The case study analysis shows that the local context significantly shapes interjurisdictional collaboration, its scope, division of power and resources, and final benefits. This is mostly due to the trust between partners, especially mayors representing particular municipalities. In both cases, the key division was between the capital and the remaining municipalities. This shows that special attention should be given to active trust building. A particular role in building trust and achieving consensus among partners played ITI leaders. Their perception of benefits from collaboration (interdependence, metropolitan perspective to development), and relations with other mayors was crucial in establishing ties and collaborative mechanisms. Another aspect to be considered is the size of an area. The analysis shows that the functional urban areas should be carefully delineated. The higher number of partners, the more difficult it is to achieve consensus. The more proximity among municipalities, the more potential for common interests.

Another very important aspect is the low capacity at the local level. First, it made the MA limit the scope of delegated tasks to Intermediate Bodies and showed the disparities among municipalities in the project preparation speed and quality. In both Polish cases the ITI IBs built their capacity effectively, enlarging the scope of tasks over time. Moreover, they played an important role in stimulating administrative capacity in the municipalities of the functional areas, as they were very active in providing trainings on crucial rules and technicalities, as well as facilitated information exchange and mutual learning among jurisdictions. They were also crucial in capturing and representing the agglomeration interests, as municipalities usually focus on their individual ones.

In terms of the scope of collaboration, in both analyzed case studies joint activities focused on coordination. This is the least risky kind of collective action, so this pattern can be explained by the fact that before ITI intermunicipal collaboration was mostly occasional and informal. Consequently, they started collaboration by exchanging information on their individual investments, and at times adjusting to each other. A few cases showed attempts of joint planning of the whole area, e.g. in terms of transport, vocational schools, or kindergartens. Other cases included scale effects and savings achieved thanks to joint public procurement and joint service delivery.

As for the established institutional mechanisms, the cases differed significantly. First, opting for different forms of collaborations determined varying power division mechanisms. Association determined a more advanced decision-making structure, in which political partners meet regularly to discuss ongoing issues related to ITI implementation. It also introduced a more equal voting mechanisms, in which each municipality has the same influence on the decision. In agreement, the most meetings happened at the operational level, and the voting system gave the dominant decision power to the ITI leader. Among advantages of this association there was more flexibility and scope for extending intermunicipal collaboration beyond ITI implementation. Also, the association’s secretariat had a more neutral position, representing the whole agglomeration. This created less accountability problems and helped in trust building among the municipalities. The agreement, however, had the advantage of lower administrative costs, which were mostly covered by the main city administration. In this way, the ITI office could also use the capacity of a bigger organisational structure, e.g. in terms of thematic expertise.

Another aspect was the project selection mode. It seems that the non-competitive mode worked better for the purpose of the ITI objectives, as it empowered local actors in terms of decisions of key investments allowing to achieve the objectives of the jointly designed strategy. Its limited competition among partnering municipalities, which were more eager to exchange information on their investment plans, allowing coordination, mutual learning and inspiration, and avoiding duplication. One of the drawbacks of projects preselection is that the perceived guarantee of the funds often negatively influenced the speed of funds absorption. However, it has to be highlighted that the collaboration process requires time for achieving consensus and coordination of joint activities. Therefore, policy implementation involving successful intermunicipal collaboration should be expected to have slightly lower funds absorption rates.

Task decentralization to the intermediate bodies at the local level was crucial to realize ITI objectives. They played a key role in building local capacity to prepare good quality projects and brokered the process of ITI investments coordination. They also took the responsibility of preparing the ITI strategy and officially represented the interest of the whole FUA. They actively built trust among municipalities through transparency and ensuring an equal share of access to information of all jurisdictions. Through organizing regular meetings at the operational and political level, they built relations allowing smooth collaboration and ITI implementation. The scope of tasks in the process of implementation was initially low, but it was clear that the more tasks they have, the more importance it is put to their activities and the smoother collaboration goes. They were also directly motivated to speed up implementation, and train stakeholders to prepare good quality projects as they had a more direct relation to the FUA than regional authorities and knew well the local challenges.

The top-down requirement of project partnership has not turned out to be a good solution. It provided a structure for regular technical meetings on thematically related projects. But it did not guarantee an actual functional complementarity of projects, as sometimes there was not any clear relation between them. It is possible to imagine complementarity of projects from various thematic areas, e.g. a bicycle path leading to a touristy, biodiverse destination, or an infrastructural revitalization project combined with a social intervention. Moreover, formal partnerships led to delays of multiple investments, although majority of municipal parts were ready. This created frustration and prevented collaboration from quicker development. Consequently, there should be flexibility given to local actors when a formal project partnership will be helpful, and when it is not necessary. This follows the original logic of place-based policies.

In terms of the prolongation of interjurisdictional collaboration in the Polish case studies, the situation varies. In one localization it is perceived as obvious and necessary, while in the other local actors are still exploring potential scope and depth. In both cases, EU funds are perceived as a helpful incentive boosting joint action possibilities. Moreover, in Szlakie and Lubelskie there is greater awareness of interdependence (especially in the area of transport and education due to inhabitants commuting every day around FUAs). They have realized joint challenges and interests, appreciated a unified voice when representing the whole FUA rather than a single municipality, and attributed each other more in comparison to the beginning of ITI implementation. But it has also prepared documents planning collaboration in the future, hoping for EU funds to realize post-2020 objectives, but acknowledging the need of collaboration regardless of the EU’s support.
Italy

Background

Italy allocated approximately 45% of the total ERDF funds in the 2007-2013 Programming Period for territorial instruments dedicated to SUD, the largest share among all Member States. In the current programming period, Italy ranks second after Poland in terms of real share of funds allocated to SUD, followed by Romania, Czechia and Spain. The total funding for this priority reaches 1.4 billion euros, almost the same as in Romania (1.3 billion euros).

Italy is also among the few member states (together with France and Poland) that has more than one OP supporting urban interventions, through ROPs for each development region. Additionally, Italy is one of the four member states that uses, among other delivery mechanisms, a dedicated OP to implement SUD, focused on 14 metropolitan cities defined by law. This program originates from the desire to align EU funding with some recent national reforms in relation to the status of metropolitan areas. Lastly, Italy uses the ITI tool – both for SUD and non-SUD interventions.

Thus, the SUD in Italy is implemented with the help of the following tools:

- A dedicated national Operational Programme – OP Metropolitan Cities;
- Dedicated priority axes under the regional Operational Programme;
- it is financed from the regional Operational Programme.

Programming Documents

The PA states that significant attention is given to the territorial dimension in particular in the area of urban development and interventions in inner areas. At least 5% of the ERDF allocation will be invested in sustainable urban development actions implemented in Italy through a dedicated priority axis or Integrated Territorial Investments. The Cohesion policy will be delivered by a combination of national and regional mono-fund and multi-fund Operational Programme (OPs). Those that specifically target urban areas are:

- **OP Metropolitan Cities** – is a multi-fund program, part of the Italian national Urban Agenda and SUD. The program will support a joint effort and cooperative method between 14 Metropolitan Cities designated according to the recent Italian legislation. The goal is to improve the quality and efficiency of urban services and social inclusion for the more fragile population.

- **ROPs for the 21 regions and autonomous provinces** – mostly financed from ERDF and ESF, except the regions of Calabria, Molise, and Puglia, which will each have a multi-fund program, resulting in a total of 39 regional program.

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2 [http://www.ponmetro.it/home/documenti/versioni-del-programma/](http://www.ponmetro.it/home/documenti/versioni-del-programma/)
The budget of each ROP in Italy varies between 64 million euros and 7.120 million euros, depending on the size and development stage of each region. Overall, approximately 510 million euros from the ERDF have been allocated in the ROPs for SUD. The domestic contribution for this axis amasses 347 million euros.

TABLE 5. 
Allocations for SUD interventions under the Italian ROPs

<table>
<thead>
<tr>
<th>ROP</th>
<th>Total budget (mil. EUR)</th>
<th>EU contribution (mil. EUR)</th>
<th>ERDF (mil. EUR)</th>
<th>ESF (mil. EUR)</th>
<th>Allocation for SUD (mil. EUR)</th>
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</thead>
<tbody>
<tr>
<td>Abruzzo</td>
<td>271.5</td>
<td>153.8</td>
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<td>1,529.9</td>
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<td>392.5</td>
<td>196.3</td>
<td>196.3</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>Lombardia</td>
<td>970.5</td>
<td>485.2</td>
<td>485.2</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>Marche</td>
<td>585.4</td>
<td>292.3</td>
<td>292.3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Molise</td>
<td>129.0</td>
<td>76.8</td>
<td>52.9</td>
<td>23.9</td>
<td>0</td>
</tr>
<tr>
<td>PA Bolgano</td>
<td>136.6</td>
<td>68.3</td>
<td>68.3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PA Trento</td>
<td>108.7</td>
<td>54.3</td>
<td>54.3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Piemonte</td>
<td>965.8</td>
<td>482.9</td>
<td>482.9</td>
<td>0</td>
<td>48.2</td>
</tr>
<tr>
<td>Puglia</td>
<td>7,120.9</td>
<td>3,560.5</td>
<td>2,788.1</td>
<td>772.4</td>
<td>65.0</td>
</tr>
<tr>
<td>Sardegna</td>
<td>930.9</td>
<td>465.5</td>
<td>465.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sicilia</td>
<td>4,273.0</td>
<td>3,418.4</td>
<td>3,418.4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toscana</td>
<td>792.4</td>
<td>396.2</td>
<td>396.2</td>
<td>0</td>
<td>49.2</td>
</tr>
<tr>
<td>Umbria</td>
<td>412.3</td>
<td>206.1</td>
<td>206.1</td>
<td>0</td>
<td>30.8</td>
</tr>
<tr>
<td>Val de Aosta</td>
<td>64.4</td>
<td>32.2</td>
<td>32.2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Veneto</td>
<td>600.3</td>
<td>300.2</td>
<td>300.2</td>
<td>0</td>
<td>77.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26479.1</td>
<td>12893.8</td>
<td>15261.6</td>
<td>1050.6</td>
<td>690.2</td>
</tr>
</tbody>
</table>

The total allocation for ITIs in Italy is around 1.1 billion euros. The Article 7-ITIs in Italy use only half (528 million euros, plus a domestic contribution of 244 million euros) of the ERDF allocation for Sustainable Urban Development, while the rest of the funding (512 million euros) goes to dedicated priority axes of the ROPs that have chosen to support SUD.

For example, in the Sardegna Region, three urban areas were nominated in the ROP as eligible for the ITI mechanism, namely the cities of Cagliari, Olbia and Sassari, each with an indicative budget of around 15 million euros. In the Marche Region, out of the 5 eligible cities, only 3 were selected, each with a budget ranging from 7 to 14 million euros. In the Region of Sicily, a number of 9 ITIs have been nominated, with an average allocation of 40 million euros. Overall, the average allocation for an urban ITI in Italy is 30 million euros.

The ITIs for non-Article 7 ERDF territories (the so-called “aree interne”) receive a similar allocation as the ones for urban areas (512 million euros), again with an average allocation of 30 million euros/strategy. For those ITIs that address urban-rural linkages (are interne), EAFRD funding is also possible.

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**FIGURE 14.**
Italian NUTS2 Regions and their level of development

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### Themes

The OP Metropolitan Cities has four thematic priorities:

- TA - Technical Assistance
- TO2 – ITC technologies
- TO4 – Low-carbon economy
- TO9 – Social inclusion

For the ROPs, the number of thematic priorities varies as follows:

**TABLE 6.**

<table>
<thead>
<tr>
<th>ROP</th>
<th>Thematic Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abruzzo</td>
<td>TA, T01, T02, T03, T04, T05, T06</td>
</tr>
<tr>
<td>Basilicata</td>
<td>TA, T01, T02, T03, T04, T06, T07, T09, T10</td>
</tr>
<tr>
<td>Calabria</td>
<td>TA, T01, T02, T03, T04, T05, T06, T07, T08, T09, T10</td>
</tr>
<tr>
<td>Campania</td>
<td>TA, T01, T02, T03, T04, T05, T06, T07, T09, T10</td>
</tr>
<tr>
<td>Emilia-Romagna</td>
<td>TA, T01, T02, T03, T04, T05, T06</td>
</tr>
<tr>
<td>Friuli-Venezia-Giulia</td>
<td>TA, T01, T02, T03, T04, T06</td>
</tr>
<tr>
<td>Lazio</td>
<td>TA, T01, T02, T03, T04, T05</td>
</tr>
<tr>
<td>Liguria</td>
<td>TA, T01, T02, T03, T04, T05</td>
</tr>
<tr>
<td>Lombardia</td>
<td>TA, T01, T02, T03, T04, T06, T09</td>
</tr>
<tr>
<td>Marche</td>
<td>TA, T01, T02, T03, T04, T05, T06</td>
</tr>
<tr>
<td>Molise</td>
<td>TA, T01, T02, T03, T04, T06, T08, T09, T10, T11</td>
</tr>
<tr>
<td>PA Bolgano</td>
<td>TA, T01, T02, T04, T05</td>
</tr>
<tr>
<td>PA Trento</td>
<td>TA, T01, T02, T03, T04, T05</td>
</tr>
<tr>
<td>Piemonte</td>
<td>TA, T01, T02, T03, T04, T06</td>
</tr>
<tr>
<td>Puglia</td>
<td>TA, T01, T02, T03, T04, T05, T06, T07, T08, T09, T10</td>
</tr>
<tr>
<td>Sardegna</td>
<td>TA, T01, T02, T03, T04, T05, T06, T07, T09, T10</td>
</tr>
<tr>
<td>Sicilia</td>
<td>TA, T01, T02, T03, T04, T05, T06, T07, T09, T10</td>
</tr>
<tr>
<td>Toscana</td>
<td>TA, T01, T02, T03, T04, T06, T09</td>
</tr>
<tr>
<td>Umbria</td>
<td>TA, T01, T02, T03, T04, T05, T06</td>
</tr>
<tr>
<td>Valle d Aosta</td>
<td>TA, T01, T02, T03, T04, T06</td>
</tr>
<tr>
<td>Veneto</td>
<td>TA, T01, T02, T03, T04, T05, T09</td>
</tr>
</tbody>
</table>

The ITIs both for urban and inner areas have to focus on all or part of the thematic objectives of the ROPs. For example, in Sicily the urban ITIs had to focus only on the TOs no. 2, 3, 4, 5, 6 and 9. More than half of the budget is, however, allocated for energy efficiency of public and private buildings, respectively the promotion of green mobility. The Potenza ITI in the Basilicata Region, with an allocation of 45 million euros, will only finance interventions that fall under the TO 13.4.6.9 and 10 out of the 8 TOs of the ROP.

The medium number of Investment Priorities per integrated urban strategy/urban ITI is six (with a maximum of 11 and a minimum of two) compared to a fixed number of four for the cities in Romania, indicating more flexibility for the local authorities in deciding in what to invest. For the inner area-ITIs, the number of priorities ranges from 11 to 23.

**Characteristics of the Sustainable Urban Development Strategies**

**Process of selection of SUD strategies**

In order to become eligible for ESIF funding, 89 Italian municipalities elaborated integrated development strategies, together with 41 inner strategies for inner area-ITIs Romania and Italy had a similar approach in dispersing the allocation to a large number of cities. The Integrated Urban Development Strategies in Italy have been approved with some variations, because of the regional approach, but in general before the ones in Romania.

Most Integrated Urban Development Strategies elaborated in Italy target medium-sized populations, as is the case for the territorial strategies for inner areas. There is no national pattern in choosing the area covered by the strategies, varying from a neighborhood (the historical city center of Emilia Romagna, with a small allocation and a clear spatial target) to a multi-jurisdictional area. Italy is, together with Slovenia, the only member states to use the ITI mechanisms for cross-border areas (the Gorizia – Nova Gorica territory).

The Italian approach to selecting the areas that are allocated funds for sustainable urban development and non-urban ITIs has been completely competitive, while Romania adopted a system in which the 39 eligible cities had a dedicated pot of funds. It is important to mention here that this competitive approach originates from the bottom-up approach of the strategy elaboration, with local and regional authorities being actively involved in design of the Operational Programme.

The Italian cities and ITIs benefited from a larger flexibility in designing their strategies compared to Romania. In most cases, the elaboration stage was very participative, with analysis delivered by experts and benefited from a peer-review of the Urban Development Network. These strategies are, in general, summaries (sometimes looking more like a project application) that link existing local approaches of urban or regional development with the priorities of the Operational Programme. These strategies are also closely linked with existing sectoral strategies, such as the ones for smart specialization.

**Coordination with existing strategies/frameworks**

Since 2013, Italy’s Agency for Territorial Cohesion has been providing technical support to central, regional, and local administrations for the implementation of regional policy programs and investment projects. New innovative instruments to strengthen administrative capacity have been introduced in the 2014-2020 Programming Period for public administrations involved in the management of European Structural and Investment Fund programs. Several territorial reforms have taken effect, notably reforms of the provincial level along with the establishment of metropolitan cities.

In 2016, the Italian government launched Pacts for the South, with eight regions (Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicilia, and Sardinia), seven metropolitan cities (Napoli, Bari, Reggio Calabria, Messina, Catania, Palermo, and Cagliari), and the city of Taranto, included in these pacts. These contractual agreements commit national and regional administrations to a common framework for interventions, identifying priorities, actions for implementation and responsibilities.

Within Italy’s Strategy for Inner Areas, 72 project areas have been selected across regions, covering 1,072 municipalities and two million inhabitants (3% of the total population and 17% of the national territory). These areas are peripheral territories, a minimum 40 minutes away from the main cities. Interventions in those inner areas focus on providing basic services and tackling demographic decline, while at the same time trying to build on the existing natural and cultural resources. The average population of such areas is around 30,000 inhabitants.

**Developing Sustainable Urban Development strategies (criteria)**

The managing authority (MA) for each ROP launched calls for strategies, selecting only part of them up to the budget ceiling for this instrument at the regional level. The selection criteria were previously approved by the ROP Monitoring Committee and a jury was nominated by the MA. The result of the IUDS assessment is further approved by the regional government (giunta regionale). The criteria are divided in three categories:

- **Acceptability criteria:** compliance with the administrative procedure for the submission.
- **Admissibility criteria:** the eligibility of the area, the existing of partnership agreements between the TAUs, adequacy of the Urban Authority and.
- **Quality assessment of the strategy quality of the context analysis and problem identification; coherence of the strategy and objectives formulation; level of integration and complementarity; validity of methodological, organizational and procedural approach of the strategy, adequacy of the governance system.**

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9 http://www.comune.potenza.it/?p=23296
Institutional Framework

Intermediate bodies

The regional bodies are the managing authorities for the ROPs, while the OP Metropolitan Cities is managed by the Agency for Territorial Cohesion, that also plays the role of Certifying Authority. Based on the provisions of Article 7 ERDF, new bodies were established in Italy in order to implement the strategies financed by ROPs and OP Metropolitan Cities, namely the municipalities that received support for SUD. These IBs are called Urban Authorities, employ staff nominated by the Mayor and sign a delegation agreement with the MA.

In general, every Urban Authority is organized as follows:

- Coordination Committee;
- Programming, evaluation and communication department;
- Selection department;
- Implementation department;
- Spending check and control department;
- Monitoring department; and
- Technical assistance department.

Urban authorities get financial support for their current activities from the TA axis in the ROP or OP Metropolitan Cities.

Implementation responsibilities

The MAs for the ROPs and OP Metropolitan Cities have to select and approve the IUDS elaborated by the Urban Authorities, verify the eligibility of the submitted projects and play the central role in monitoring and evaluating the progress of the programs.

Monitoring and evaluation

Evaluating responsibilities

Strategy and monitoring tasks are partially delegated to the Urban Authorities, as IBs, but in an integrative approach with the Management and Information System of the National Operational Programme on Metropolitan Cities. This allows the Managing Authority to obtain the necessary information in order to approve the payment declarations issued by the intermediary body. The evaluation phase, however, lies with the Managing Authority that will consult the intermediary bodies from the 14 eligible cities with respect to the evaluation criteria. The activity of the intermediary bodies is financially supported from the Technical Assistance Axis of the Programme.

Capacity building

One of the problems in implementing the sustainable urban development instruments in Italy is the lack of a national urban policy framework and the fragmentation of responsibilities for urban development at the central level. This implies that the cities must interact with different ministries and agencies, a similar context to the Romanian one. Frequent political changes also had a negative impact on the program and strategy design.

The bottom-up approach adopted by Italy in designing and implementing the integrated urban development strategies had some limits in embedding the place-based planning in the regional, national and EU policy framework, indicating the need for more dialogue and exchange of practice between cities. Despite the modest allocation for each city, this new integrated approach has managed to develop the local ability of different stakeholders to engage in long-term strategic planning for place-based policies. This approach has also led to a restructuring of some public services by creating multi-dimensional single-access points for social services (e.g. Torino).
Czechia

Background

In its Strategic Framework 2030, the government of Czechia acknowledges that “growth is driven by and probably will remain driven by large cities or settlement agglomerations of closely interconnected medium and small towns.” The Czech Strategic Framework also indicates that large cities are usually more productive, and they tend to benefit their hinterland. Thus, it is critical to identify integrated approaches for these urban areas and the Czechia government assumes a pro-active role in the support of these urban areas.

The pro-active support of the Czechia government for its urban areas can also be seen in the way it has allocated, with the largest dedicate ERDF allocation per urban area, of any EU country (around 138 million euros per urban area). The Czech-EU Partnership Agreement 2014-2020 also stresses the need for integrated development approaches and the strengthening of urban-rural relations. As such, a total of 13 integrated tools have been developed for the 2014-2020 Programming Period, focusing on the main metropolitan areas, urban agglomerations, and smaller urban functional urban areas (see figure below). Furthermore, Community-Led Local Development (CLLD) funds have been accessed by Local Action Groups (LAGs), which constitute cooperation agreements between local administrations (primarily rural areas and smaller towns – see map below), private firms, and/or NGOs.
FIGURE 15. Integrated urban development tools used by Czechia for the 2014-2020 Programming Period

Source: Czech Ministry of Regional Development
The Czech SUD Approach

Around 15 billion euros in EU funds have been allocated for the SUD approach in Czechia, with ERDF and ESF funding available through the following Operational Programmes: Integrated Regional Operational Programme, Operational Programme Research, Development and Education, Operational Programme Enterprise and Innovation for Competitiveness, Operational Programme Prague – Growth Pole, and Operational Programme Employment. An additional indicative allocation of around 0.8 billion euros is available for SUD from the Cohesion Fund, through the Operational Programme Environment, and the Operational Programme Transport.

Formally, the SUD is implemented with the help of two organizational mechanisms: The Operational Programme Prague – Growth Pole; and, Operational Programme Employment. An additional indicative allocation of around 0.8 billion euros is available for SUD from the Cohesion Fund, through the Operational Programme Environment, and the Operational Programme Transport.

The seven Czech ITIs are pre-allocated funds from the various priority axes of the Operational Programmes listed above. To access these funds, ITI strategies had to be prepared for the functional urban areas delineated in the map above. These strategies were checked for compliance by the Czech Ministry of Regional Development, and the various managing authorities of the relevant OPs. The integrated strategies are implemented through targeted calls of the OPs.

The Operational Programme Prague – Growth Pole

The Czech authorities had a relatively unique and innovative approach in the programming of EU funds for the 2014-2020 Programming Period. They have devised a separate Operational Programme for the Metropolitan Area of Prague, starting from the premise that the capital is “a key region within the context of the Czech Republic,” and “any developments in its situation might have a considerable bearing on the prosperity and the development potential of the whole country.” It is thus understood that if Prague performs well, so will the rest of the country.

The basis for the Operational Programme Prague was an analytical document (‘Analysis of areas of intervention under the Cohesion Policy in the City of Prague for the 2014-2020 Programming Period’) prepared by the Department of Strategic Policy of the Municipality of Prague. This is a critical point, as it implies that the City of Prague has the internal planning capacity needed to identify its priorities and prepare a plan to respond to those priorities. In Romania, local administrations, to a large extent, outsource to third parties the preparation of local strategies and plans.

Also, Czechia has an Operational Programme dedicated to a metropolitan area – The Operational Programme Prague – Growth Pole.

Around 202 million euros have been allocated for the OP Prague, for the following priorities:

<table>
<thead>
<tr>
<th>Priority axis</th>
<th>Fund</th>
<th>Share of the total Union support to the Operational Programme</th>
<th>Thematic objective</th>
<th>Investment priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthening research, technological development and innovation</td>
<td>ERDF 62 492 932 euros</td>
<td>31.0 %</td>
<td>1.</td>
<td>11 Promoting business investment in R&amp;I; developing links and synergies between enterprises, research and development, centers and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation and new business applications, demand stimulation, networking, clusters and open innovation through smart specialization, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies (Regulation on the ERDF Art. 5(11) (b))</td>
</tr>
<tr>
<td>2. Sustainable mobility and energy savings</td>
<td>ERDF 60 477 031 euros</td>
<td>30.0 %</td>
<td>2.</td>
<td>2.1 Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector (Regulation on the ERDF Art. 5(4)(c))</td>
</tr>
<tr>
<td>3. Promoting shift to a low carbon economy in all sectors</td>
<td>ERDF 12 498 586 euros</td>
<td>6.2 %</td>
<td>3.</td>
<td>2.2 Promoting low-carbon strategies for all types of territories, in particular for urban areas including the transition to a sustainable multimodal urban mobility and mitigation relevant adaptation measures (Regulation on the ERDF Art. 5(4)(c))</td>
</tr>
<tr>
<td>4. Promoting social inclusion, combating poverty and any discrimination</td>
<td>ESF 13 304 947 euros</td>
<td>6.6%</td>
<td>3.</td>
<td>3.1 Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services (Regulation on the ERDF Art. 5(9)(a))</td>
</tr>
<tr>
<td>5. Enhancing access to affordable and high-quality services, including health care and social services of general interest</td>
<td>ESF 13 304 947 euros</td>
<td>6.6%</td>
<td>3.</td>
<td>3.2 Providing support for social enterprises (Regulation on the ERDF Art. 5(9)(c))</td>
</tr>
<tr>
<td>6. Promoting shift to a low carbon economy in all sectors</td>
<td>ERDF 60 477 031 euros</td>
<td>30.0 %</td>
<td>6.</td>
<td>3.3 Enhancing access to affordable and high-quality services, including health care and social services of general interest (Regulation on the ESF Art. 3(1)(b)(iv))</td>
</tr>
</tbody>
</table>

* The Operational Programme Prague – Growth Pole
The Czech government decided to use the use the ITI tool for metropolitan areas / agglomerations with more than 300,000 inhabitants. Funding for the ITIs available from four ERDF, two ESF, and two CF Operational Programmes; with a focus on the following areas: transport, education and employment, social integration, research and development, innovation and entrepreneurship, environmental protection, and technical infrastructure. The Ministry of Regional Development provides the guidelines for the establishment of the ITIs, and the functioning of the ITI intermediary bodies is financed from the OP Technical Assistance.

TABLE 8. Administrative set-up for the implementation of the OP Prague

<table>
<thead>
<tr>
<th>Authority/body</th>
<th>Name of authority/body</th>
<th>Head of the authority/body (responsible person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Authority</td>
<td>City of Prague / Prague City Hall – EU Funding Dept.</td>
<td>Director</td>
</tr>
<tr>
<td>Intermediary subject for ITI implementation</td>
<td>Department/ section of statutory city, city hall</td>
<td>Mayor of Prague/director of the department/ section of the statutory city, city hall</td>
</tr>
<tr>
<td>National Coordination Authority</td>
<td>Czech Ministry of Regional Development / Department for Direction of Cohesion policy</td>
<td>Director</td>
</tr>
<tr>
<td>Certifying Authority</td>
<td>Czech Ministry of Finance 1 / National Fund</td>
<td>Director</td>
</tr>
<tr>
<td>Audit Authority</td>
<td>Czech Ministry of Finance 1 / Audit Authority</td>
<td>Director</td>
</tr>
</tbody>
</table>

**Notes:**
1. Intermediate bodies with clearly defined levels of writing delegated powers, within the meaning of Article 123, paragraph 6 of the Regulation.
2. By the government resolution from June 12, 2013 No. 448 to the rules for management and coordination for 2014-2020 Programme Period the Czech Ministry of Finance has been entrusted with the duties of payment and certifying authority.
3. By the government resolution from June 12, 2013 No. 448 to the rules for management and coordination for 2014-2020 Programme Period the Czech Ministry of Finance has been entrusted with the duties of audit authority.
4. By the government resolution from June 12, 2013 No. 448 to the rules for management and coordination for 2014-2020 Programme Period the Czech Ministry of Finance has been entrusted with the duties of payment and certifying authority.

The Czech ITIs

The Czech government decided to use the use the ITI tool for metropolitan areas / agglomerations with more than 300,000 inhabitants. Funding for the ITIs available from four ERDF, two ESF, and two CF Operational Programmes; with a focus on the following areas: transport, education and employment, social integration, research and development, innovation and entrepreneurship, environmental protection, and technical infrastructure. The Ministry of Regional Development provides the guidelines for the establishment of the ITIs, and the functioning of the ITI intermediary bodies is financed from the OP Technical Assistance.

TABLE 9. The Czech ITIs

<table>
<thead>
<tr>
<th>Metropolitan Area / Agglomeration</th>
<th>Number of inhabitants</th>
<th>Number of localities in Metro / Appl.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prague</td>
<td>2,000,000</td>
<td>515</td>
</tr>
<tr>
<td>Ostrava</td>
<td>990,000</td>
<td>233</td>
</tr>
<tr>
<td>Brno</td>
<td>610,000</td>
<td>167</td>
</tr>
<tr>
<td>Ustí – Chomutov</td>
<td>520,000</td>
<td>75</td>
</tr>
<tr>
<td>Olomouc</td>
<td>440,000</td>
<td>230</td>
</tr>
<tr>
<td>Olomouc – Pardubice</td>
<td>330,000</td>
<td>145</td>
</tr>
<tr>
<td>Plzeň</td>
<td>310,000</td>
<td>117</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,200,000</strong></td>
<td><strong>1482</strong></td>
</tr>
</tbody>
</table>
To access EU funds through the ITI mechanism, local authorities have to prepare Mobility Plans and Integrated Development Strategies for the area covered. The Intermediary Body, sitting within the core city of each metropolitan area/agglomeration, does a first formal/eligibility/quality check of the strategy, with the option of either sending the strategies back for revisions or submitting them to the Ministry of Regional Development for final approval. The managing authorities of individual OPs subsequently reviewed these strategies to ensure they complied with OP requirements. ITI strategies follow a simple structure:

**ANALYTICAL PART**
- Socio-economic analysis
- Stakeholder analysis
- SWOT analysis
- Problems/needs analysis

**STRATEGIC PART**
- Vision and specific/strategic goals
- Measures
- Matrix highlighting integrated solutions
- Correlation with Horizontal Themes and relevant strategic documents

**IMPLEMENTATION**
- Management of strategy with personnel structures of ITI holder and requests for communication
- Description of partnership cooperation
- Monitoring and evaluation of ITI strategy

**ANNEXES**
- Financial plan and indicators
- Risk analysis
- Statute and the Rules of Procedures for Steering Committee and Working Groups

The ITI Intermediary Body sits within the core city and bears full responsibility for identifying priority projects. The IB ITI also sets criteria for project selection, ensures the coordination of the applications of the various beneficiaries in the areas, does monitoring and evaluation, and undertakes communication efforts. Working groups bring together all the relevant applicants to negotiate and identify priorities to be financed.

In what follows, the report discusses two ITI examples (Brno and Pilsen) in more detail.

The Brno ITI
The elaboration and implementation of the Brno ITI was made easier because a metropolitan cooperation scheme was already in place. The figure below shows the extent of the Brno Metropolitan Area. In 2014, the local administrations in the Brno Metropolitan Area signed a cooperation memorandum, starting from the premise that interventions in key sectors (e.g., flood protection, environmental protection, connective infrastructure, public transport, spatial planning) are more efficient if done at the metropolitan level. The Memorandum was renewed in 2018 to include the utilization of the ITI tool at the metropolitan level for the 2014-2020 Programming Period.

**FIGURE 16.**
The Brno Metropolitan Area

The ITI Strategy for the Brno Metropolitan Area focuses on four major areas: 1) transport and mobility, 2) environment, 3) competitiveness and education, and 4) social cohesion. A number of projects, totaling around 230 million euros, have been proposed under these four major pillars, such as the extension of the tram and trolleybus lines, transport terminals, cycling paths, support for creative industries (e.g., the development of a Creative Center), flood control, and river revitalization measures, waste management, and the development of metropolitan social infrastructure. Financing was accessed from OP Transport, Integrated ROP, OP Environment, OP Employment, OP R&D and Education, and OP Entrepreneurship and Innovation for Competitiveness.
Local authorities in the Brno Metropolitan Area want to build on the ITI experience to strengthen interjurisdictional cooperation. Although few mayors would be willing to merge with the City of Brno to form a contiguous and commonly managed urban area, the areas of most interest for continued metropolitan cooperation include: 1) Material - metropolitan issues; 2) Cultural - awareness, mutual trust, and; 3) Institutional - forms of cooperation, planning process, conceptual documents, forms of governance, legislation, etc.

Some of the areas that are considered for next year include: a metropolitan spatial plan; the development of a metropolitan expert office/agency; the development of a metropolitan fund; and the possibility of proposing a national metropolitan law.

The Pilsen ITI

The Pilsen Metropolitan Area includes 117 localities (see map below) and brings together around 310,000 people. For the 2014-2020 Programming Period, the metropolitan area has implemented an ITI tool to access EU funds. The ITI Strategy was prepared by the City of Pilsen and focuses on four major areas: 1) Applied research, and the development of high value-added sectors; 2) Mobility; 3) Education and employment, social inclusion and health services; 4) Environment and technical infrastructure. The ITI projects are financed from the Integrated ROP, the OP Transport, the OP Environment, the OP Employment, the OP Entrepreneurship and Innovation for Competitiveness, and the OP Research, Development, and Education.
Spain

Background

In Spain urban development has traditionally focused on housing policy and infrastructure projects, with less experience in designing and implementing integrated territorial development. Such initiatives have only recently been tested at the central and regional levels, as evidenced by the Spanish Strategy on Local Urban Sustainability (EESUL).

The following actors are responsible for urban development in Spain:

- the Secretary of State for Housing and Urban Actions in the Ministry of Public Works is in charge of the urban development policy in Spain.
- the Ministry of Agriculture, Food and Environment promotes sustainability, among others, at an urban and local level.
- the Ministry of Finance and Public Administration, through channeling ERDF projects dedicated to integrated urban development (URBAN and URBANA) has been assuming the role of facilitator between entities at different administrative levels in Spain.
- a few regions have adopted the legislative framework to implement the urban development and renewal in an integrated approach. Thus, the “Ley de Barrios” program in Catalonia (2004) and in the Balearic Islands (2009), but also the local cohesion program IZARTU (2001-2008) promoted by the Basque Government have introduced an integrated approach to urban development.

The ERDF and the European Commission have played a central role in promoting the approach to integrated and sustainable urban development, focusing on disadvantaged neighborhoods. The Urban Pilot Projects Programme and the URBAN Initiative represented the first steps in this direction between 1990 and 2006. In the 2007-2013 Programming Period, the support for sustainable urban development was part of the National Strategic Reference Frameworks and the Regional Operational Programmes. Furthermore, the URBANA program (that financed 46 projects) was launched in 2007 for municipalities with a population of over 50,000 inhabitants and provincial capitals, in order to support integrated projects, in line with the previous URBAN program. Last but not least, the Network of Urban Initiatives (RIU) was created in 2008 as a network and common forum for urban development initiatives supported by the ERDF in Spain.

Programming documents

The Partnership Agreement for 2014-2020 states that SUD initiatives in Spain will focus on three priorities:

- Improving the physical and ambiental environment of urban areas (Sustainable Cities) – corresponding to TO4 and TO6.
- Improving the economic dimension and competitiveness of urban areas (Smart Cities) – corresponding to TO2.
- Improving the social dimension of urban areas (Inclusive Cities) – corresponding to TO9.

The ITI Intermediary Body sits under the City of Pilsen and its main responsibilities include:

- Ensures contact with project applicants and beneficiaries and provides them with information relating to the implementation of the ITI strategy.
- Proposes a set of project selection criteria including verification of the compliance of integrated projects with the integrated territorial development strategy.
- Launches calls for projects.
- Conducts checks on the eligibility of applications for EU support.
- Undertakes evaluation of applications for conformity with objectives of the ITI strategy, and proposes adjustments to project applications.

The key decisions within the ITI are taken by the Pilsen ITI Steering Committee, which includes the representatives of all constituent local administrations. Thematic working groups are organized for the key areas covered in the ITI Strategy, with each thematic group being led by a thematic coordinator with expertise in the field. The working groups are organized no later than 10 days after the end of a call for projects, and are meant as a support for beneficiaries, with a particular focus on adjusting applications where necessary.

FIGURE 20. The Pilsen Metropolitan Area

One project financed under the Pilsen ITI includes integrated support for the development of the technical education sector in the Pilsen metropolitan Area. Around 9.6 million euros are available under the project, with beneficiaries being 56 elementary schools (which can use the funds to buy IT equipment and to construct professional and technical classrooms), 21 technical secondary schools (which can use the funds to buy IT equipment and to construct professional and technical classrooms), and the University of West Bohemia (which can access funds for applied research, and for the development of centers of excellence). Another ITI project focuses on the extension and rehabilitation of tramway track network, for a total of around 40.3 million euros.

Source: iti-plzen.cz

The SUD will focus only on cities or areas with more than 20,000 inhabitants, in order to obtain a reasonable territorial impact and ensure a proper local governance. In terms of funding, SUD will benefit from support within the multi-regional and regional OP, under dedicated priority axes. The coordination between ESF and EFRD will be ensured through the CLLD measures targeting deprived urban areas.

On the other hand, the PA also indicated that the ITI mechanism will be used for several areas in order to respond to some territorial needs and priorities, but also to valorizing the opportunities of specific subregional areas or for implementing integrated interventions for territories with economic or demographic handicaps. The ITIs will be either coordinated directly by the MA of the OPs or by regional authorities.

A number of four eligible non-SUD regional ITIs have been nominated by the national authorities in the programming stage:

**ITI Azul** – to allow the implementation of the Atlantic Strategy with the financial support of the ESIF.

**ITI de Mar Menor (Murcia)** – for the implementation of the Integrated Management Strategy for Costal Areas in Mar Menor and its surroundings – with financial support of the ESF, EMFF and EFRD.

**ITI for Cádiz Province (Andalucía)** – in order to reduce the impact of the global crisis and peripheral position on the local economy.

**ITI Industrial Extremadura** – focusing on the creation of a network of industrial poles in the region, in line with the Industrial Strategy of Extremadura.

On the other hand, the national ROP - PRIEST (which includes the former OP for sustainable growth) states that in the 2014-2020 period, the following urban areas may be eligible for the co-financing of operations included in IUDS strategies:

- **Urban areas formed by a municipality or conurbation of more than 20,000 inhabitants and peripheral municipalities of less than 20,000 inhabitants**
  
  These TAs must present a physical urban continuity, so that they constitute a single urban nucleus from the morphologically point of view, in accordance with the definition of the urban functional areas. This typology refers to “polycentric areas” characterized by the existence of several centers that coexist in a territory with relations of both competition and complementarity. They are functional urban areas that do not have a marked dependence on a central nucleus and share common problems of diverse order. IUDS for such territories should justify in a consistent and reasoned manner the existence of common problems, demonstrate the urban physical continuity, as well as the reason for which the supra-municipal urban scale is the optimum one to address these problems. The involved TAs must define a single IB, which could be one of said municipalities or an existing or newly established supra-municipal body.

**FIGURE 21.**

The Spanish Metropolitan Areas, by category

Funding

In the 2014-2020 Programming Period, Spain ranks 5th in EU in terms of the real share of funds allocated to Sustainable Urban Development, just after Romania and Czechia. Both Spain and Romania tackle SUD within a single program, through a Priority Axis of a very complex OP for the entire country, with multiple Investment Priorities, with a similar allocation (one billion euros in Spain and 1.3 billion euros in Romania). Another common approach is noted in the large dispersion of funds for Sustainable Urban Development to a large number a city, without a clear
focus on major cities. Both countries allocated around one billion euros for ITIs in the 2014-2020 Programming Period, but in Spain part of the funding for these instruments was directed to urban areas, while Romania invested only in one non-Article 7 ITI. The actions of the priority axis for SUD within this OP will be co-financed by a single Fund, the ERDF, although they will be closely coordinated with the ESF, being able to benefit from the flexibility that the Regulation allows to apply 10% of the ERDF resources to FSE-type actions. Likewise, the necessary actions for the design, implementation, and management of projects belonging to IUDs elaborated by urban authorities will be eligible within this Axis. The OP has initially allocated a total of one billion euros to the SUD axis for integrated urban projects that act on several Thematic Objectives, including those of a social nature, that take into account the horizontal principle of equal opportunities between women and men, and will be managed directly by the municipalities that are awarded. After a consultation process in the Urban Initiatives Network, and an intervention logic based on an analysis of the typologies of Spanish cities, it has been decided to concentrate the aid of this axis to the following Thematic Objectives:

- OT2: Improve access, use, and quality of information and communication technologies, with a relative weight of 15% of the total of the Axis.
- OT4: Promote the transition to a low-carbon economy in all sectors, with a weight of 25%.
- OT6: Conserve and protect the environment and promote resource efficiency, 31%.
- OT9: Promote social inclusion and fight against poverty, with 28% of the total.

On the other hand, the technical review of the multiannual financial framework allocated SUD 2.1 billion euros of structural funds (ERDF and ESF). Of this amount, SUD received an additional 340.5 million euros, resulting in a final allocation of more than 1.6 billion euros.

### Table 10

<table>
<thead>
<tr>
<th>Regional</th>
<th>Initial allocation for SUD (million euros)</th>
<th>Additional allocational for SUD (million euros)</th>
<th>Final allocation for SUD (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremadura</td>
<td>73.3</td>
<td>64.6</td>
<td>137.9</td>
</tr>
<tr>
<td>Less Developed Regions</td>
<td>73.2</td>
<td>74.6</td>
<td>147.8</td>
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<tr>
<td>Andalucía</td>
<td>344.3</td>
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<td>537.6</td>
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<tr>
<td>Castilla La Mancha</td>
<td>63.1</td>
<td>45.1</td>
<td>108.2</td>
</tr>
<tr>
<td>Murcia</td>
<td>39.1</td>
<td>22.4</td>
<td>61.5</td>
</tr>
<tr>
<td>Canarias</td>
<td>70.1</td>
<td>30.3</td>
<td>100.4</td>
</tr>
<tr>
<td>Liguria, Transition Regions</td>
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<td>27.8</td>
<td>202.6</td>
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<td>Galicia</td>
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<td>118.8</td>
</tr>
<tr>
<td>Com. Valenciana</td>
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<td>147.6</td>
</tr>
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<td>30.3</td>
</tr>
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<td>Castilla y León</td>
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<td>5.0</td>
<td>43.5</td>
</tr>
<tr>
<td>Cantabria</td>
<td>3.9</td>
<td>3.0</td>
<td>6.9</td>
</tr>
<tr>
<td>Baleares</td>
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<td>20.7</td>
</tr>
<tr>
<td>La Rioja</td>
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<td>0.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Aragón</td>
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<td>0.9</td>
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</tr>
<tr>
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<td>9.3</td>
</tr>
<tr>
<td>Madrid</td>
<td>33.9</td>
<td>0.0</td>
<td>33.9</td>
</tr>
<tr>
<td>Less Developed Regions</td>
<td>174.8</td>
<td>106.5</td>
<td>281.3</td>
</tr>
</tbody>
</table>

**Total Spain:** 1,013.2 340.5 1,353.7


The ITI Agl benefits from the 2nd largest funding in EU after the Danube Delta ITI in Romania, with a total allocation of 902 million euros but also the second largest number of Investment Priorities (50), again after the Danube Delta (63). This ITI covers a coastal area with both more developed and transition regions, whereas in Romania the ITI is located entirely in a less-developed region. The total population of the territory covered by ITI Agl is of about nine million people, while in the Danube Delta ITI live only 200,000. The operations contributing to the Agl regional ITI (non-Article 7 ERDF) will be evaluated within each of the contributing regional OPs. Regional authorities include a specific section devoted to ITI in each annual implementation report for each OP. A specific evaluation of the ITI Agl will also be carried out at the central level in 2020 by the DG for EU Funds, which is the managing authority of all ERDF OPs 2014-2020 in Spain.10

### Themes

As a result of the work of the Urban Initiatives Network, a study was developed that determined that the priority axis for SUD will include actions in the Thematic Objectives TO2, TO4, TO6 and TO9.

- **TO2: Improve access, use and quality of information and communication technologies**
  - It is one of the areas that have a great influence on sustainable and intelligent urban development, due to its transversal application: energy, transport, resources, public services, education, etc. ICTs are particularly important for the improvement of the urban services of the local Administration, taking into account the gender gap. Urban information and communication technologies will be promoted, including their accessibility to all citizens, that help to intelligently manage the activities and services of the city and the connection between them, directed towards the concept of “Smart City” and the “EAdministracion local”, in line with the Digital Agenda for Spain. It is necessary to complement urban development projects integrated with actions in Smart Cities that promote the transformation of cities in all their dimensions and in particular that of the eGovernment of the city. This will be achieved through the deployment of management and service platforms for Smart City, sensor networks, actuator networks and / or communications networks; as well as the development and / or deployment of applications and services to the city, in particular those aimed at improving the level of tourist and citizen services, for example through mobile applications.

- **TO4: Promote the transition to a low carbon economy in all sectors**
  - Cities are major consumers of energy and very intense in modes of transport that are not always the most efficient. Their degree of competitiveness and vulnerability in the future will depend on their ability to change the ways of life that require less intensive use of energy with lower CO2 generation. All actions of low carbon economy in cities will be promoted, including energy efficiency, promotion of renewables, sustainable urban mobility, among others. Sustainable mobility plans are a great opportunity to reduce emissions through measures that contribute to the use of collective transport and soft mobility modes such as cycling.

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• **TO6. Conserve and protect the environment and promote resource efficiency.**
   Likewise, cities are strong consumers of natural resources such as water and soil. They generate a large amount of waste, air and noise pollution. It is necessary that the urban environment be respectful of the environment, therefore, actions within the TO6 integrated operations must be launched. Within this framework, actions on water and waste may be financed, provided these actions are accessory and relevant to carry out the rehabilitation. In the event that there is an urban rehabilitation plan, the actions will have to be in line with that document. Likewise, the cultural and natural heritage of cities must be preserved and valued, particularly for their tourist interest. Measures directed towards the integral improvement of the urban environment, towards mitigation and adaptation to climate change, in line with the National Plan for Adaptation to Climate Change and towards the reduction of pollution in all its forms, particularly in coherence, will also be supported with the measures of the National Air Quality Plan. Finally, given the impact of tourism on urban economic activity, the conservation and restoration of the cultural, natural and historical artistic heritage of cities will have an important role.

• **TO9. Promote social inclusion and fight against poverty and any discrimination.**
   Spatial and economic segregation have increased in some Spanish cities as a result of the crisis, and affected the most vulnerable population, including immigrants, residents with disabilities and people from the rural world. It is necessary to support the regeneration of communities in disadvantaged urban areas, by also taking into account the gender perspective. The actions of the OP in this area will be coordinated with the measures of the National Social Inclusion Plan. Actions will be promoted that respond to priority 9b) support for the physical, economic and social regeneration of communities in disadvantaged urban areas, also considering support for local trade in these areas as an accessory and taking into account the gender perspective. The ERDF supports the realisation of social, educational, health and care infrastructure for dependent people (nurseries and centers for the elderly) that allow the inclusion and integration of citizens with risk of exclusion, and that enhance the reconciliation of work, family and personal life, and actions in the field of low carbon economy. The intervention logic of the SUD Axis raises a clear differentiation between the strategy and the projects to be co-financed. The first, which should have a long-term focus, should be fed in addition to the assistance received from the ERDF, from other resources, support and agreements, with a broader horizon, with interventions in all those thematic areas that affect development sustainable urban, while the program of actions financed by the SUD Axis, will address actions that will contribute partially to the development of the strategy.

### Characteristics of the Spanish Sustainable Urban Development Strategies

**Process of selection of SUD strategies**

Since 2015, Spain has launched three public calls for cities pursuing to obtain financial support from the ERDF fund for SUD. In this context, Urban Initiatives Network (RIU) previously produced a guideline oriented to the elaboration of the different IUDS (EDUSI) which included requirements that the strategies must territorially delimit the scope of the action, must reflect an integrated analysis and a diagnosis on which an action plan will be developed.

**FIGURE 22.** Process of preparing Integrated Urban Development Strategies in Spain

The ability to monitor and assess the action plan is attributable to a series of indicators. Public participation and the thematic objectives defined in the ESDP are transversal axes of the whole strategy. By now, 123 strategies have been approved and are currently in their development phase. Most of them are from the regions of Andalucía (34), Galicia (16) and Comunidad Valenciana (15). In the regions of Cantabria, Islas Baleares, La Rioja, Navarra and País Vasco only one strategy was submitted. A recent call for proposals, has added another 50 strategies that will receive funding.

**FIGURE 23.** Integrated Urban Development Strategies in Spain

Source: Icaro Obeso Muñiz. The role of the spatial dimension in development policies. Integrated Sustainable Urban Development Strategies, an example from Spain.
The map shows that the North-East part of Spain, with many developed regions received less ERDF support for SUD. Funding was concentrated in the Mediterranean regions and in the West / North West. where the regions are in transition or even less developed.

All strategies were assessed entirely independently by three different ministerial departments (State Secretary for Budgets and Expenditure, Regional Authorities and Ministry of Public Works). They were also examined by three sectoral departments with expertise on the issues of Information and Communication Technologies (Red.es), Transition towards a Low-Carbon Economy (Energy Diversification and Saving Institute [Spanish acronym IDAE]) and Social Inclusion and the Fight against Poverty (ESF), as well as by the specific networks responsible for Environment Affairs and Equal Opportunities.

The meetings held by the Assessment Committee were also attended by all those involved (over 30 specialists), as well as representatives from the European Commission. All the assessments were validated and ratified by the members of the Assessment Committee.⁵

The evaluation and selection of applications was carried out on a competitive concurrence basis based on the documentation provided. In the first phase, the Valuation Commission determined whether strategies adhered to technical assessment criteria in accordance with the checklist defined by the MA. Subsequently, it carried out an assessment of those that were admissible according to the pre-defined assessment criteria, obtaining a score between 0 and 100 points for each of the IUDS presented. Strategies that obtained a minimum score of 50 points are considered for financing, within the limit of the availability of ERDF funds in each Autonomous Community (Region) and with funding going first to the strategies that have received the highest scores. The Valuation Commission requested and collected as much information as was necessary in order to verify the data to inform the grant aid decision process.

**Coordination with existing strategies/frameworks**

Spain adopted the ITI mechanism to respond to the challenges posed by the Atlantic Strategy. The European Commission adopted the Atlantic Strategy in 2011 which aims at revitalizing the maritime and marine economy in the Atlantic region. The debate in the Atlantic Forum gave rise to the Atlantic Strategy Action Plan that will guide its implementation until 2020. Its purpose is to revitalize the marine and maritime economy in the Atlantic zone and identify priority projects and recommendations for its implementation. These projects will be financed with sources such as the ESIF, Horizon 2020 or private investment among others. Priorities identified by the plan are to promote entrepreneurship and innovation, protect, secure and improve the marine and coastal environment and improve accessibility and connectivity.

The Azul ITI defined in the PA allows to configure in a single instrument, the contribution of the ESIF to the Atlantic Strategy, facilitating its visibility and monitoring. The territorial scope of the ITI Azul covers all the Spanish Atlantic regions: Galicia, Asturias, Cantabria, the Basque Country, the Canary Islands, and Andalusia. The thematic objectives of relevance for the Atlantic Strategy are TO1, TO3 and TO4.

In what concerns the ITI development strategy, several existing sectoral strategies have played a central role in setting-up the investment priorities. Thus, the Digital Agenda for Spain and the National Plan for Adaptation to Climate Change and the National Air Quality Plan were related to TO6 and the National Social Inclusion Plan to TO9.

**Developing Sustainable Urban Development strategies (criteria)**

The process of strategy elaboration was in general, closely monitored by the Managing Authority, that provided formal guidelines, templates or standardized formats. Similar to the Romanian case, with the regional bodies having co-responsibilities for the development of integrated urban development strategies. There were, however, cases in which external guidance has been provided, networking and exchanges between municipalities on the strategy design process were carried out (e.g. Malaga).

Consultations with stakeholders were in general a mix of large stakeholder events, public meetings and online consultations. In some Spanish cities, such as Malaga, the participative approach proved to be very successful and influential, leading to the decision of the authorities to further involve citizens in evaluating and updating the strategy during its implementation, through web platforms or social networks.

The Strategies must respond to the content specified in the guidelines provided by the MA, including the following elements:

- The initial identification of urban problems or challenges in the area
- An analysis of the whole urban area from an integrated perspective
- A diagnosis of the situation of the urban area, as well as the definition of the expected results and their quantification: current value and objective value at the end of December 31, 2022 based on the outcome indicators defined by the MA
- The delimitation of the scope of action
- A Strategy Implementation Plan that will include the lines of action. Line of action shall be understood as: a measure that implements a public interest policy framed within a specific objective, managed by a single entity (beneficiary or agency with an assigned financial path) and characterized by specific objectives and management procedures and schemes of homogenous financing
- The description of citizen participation mechanisms and social agents
- The guarantee of administrative capacity for its implementation
- Reference to horizontal principles and transversal objectives

The submitted document shall not exceed 250,000 characters with spaces, including annexes, translations, etc. Only explanatory charts and drawings were accepted in addition to the 250,000 characters. The Strategy had to present in any of the official languages of Spain, including in any case a copy of the whole documentation in Spanish.

The IUDS elaborated by the Spanish municipalities vary across cities. In some cases, the planning documents was prepared for the whole metropolitan areas, in other only for a neighborhood (for example Eje del Besos in Barcelona). In some other cases (e.g. Alcara de Henares) target specific neighborhoods in relation to some thematic objectives, while other objectives relate to the whole territory of the city. The medium number of investment priorities per integrated urban strategy is five, with a minimum of four and a maximum of seven.

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⁵http://www.conselleriadefacenda.es/documents/10433/36781939/Edus-Selec-EDUSI-Informe-F Resume-128168-2018129.pdf/2623f7bd-199a-4531-bf7d-64c585c38f4
Institutional Framework

Intermediate bodies

The municipalities or the supra-municipal, pre-existing or newly constituted entities, representatives of the functional areas defined that presented IUDS in accordance with the provisions of the PA have the status of beneficiary entities. The condition of entities benefiting from the aid implies that they assume the role of Intermediary Bodies.

The IBs shall ensure adequate management, interpretation and resolution of all aspects related to the files for granting of requested aid, as well as for monitoring evaluation and control thereof. The beneficiary entities which will participate as IBs for the purpose of selecting operations within the framework of the IUDS, will carry out said selection, which will be validated by the Management Authority. The beneficiary entities will request the reimbursement of the ERDF grants due to the expenses they have executed. To do this, they will supply the IB on which they depend, the information that is required of them, sending them the documentary justification determined in the corresponding Instructions. The IB, in accordance with the financial management system provided according to the first chapter of Title I of the fourth part of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December of 2013, and to the Article 125 of (EU) No 1303/2013 of the European Parliament and of the Council, of December 17, 2013, will justify to the MA the expenses of the operations duly certified by the beneficiary entities to proceed to request the European Commission to reimburse the corresponding aid to them. In order to comply with the aforementioned control obligations, the IBs will carry out administrative and field checks to verify and inspect the development of the subsidized actions and the eligibility of the certified expenditure. The beneficiary entities will be obliged to provide the necessary elements for the purposes of the verification and financial control that are carried out both by the IBs and by the other competent bodies at national or European Union level.

Implementation responsibilities

The MA of the aid granted to SUD is the General Sub-directorate of Management of the ERDF of the General Directorate of Community Funds. The General Sub-Directorate of Territorial Cooperation and Urban Development of the General Directorate of Community Funds and the General Sub-Directorate of Local Cooperation of the General Directorate of Coordination of Competencies with the Autonomous Communities and Local Entities shall be the Intermediate Management Organizations. The entities benefiting from the operations to be co-financed within the framework of the IUDS will be IBs only for the purposes of the selection of operations.

Monitoring and evaluation

Evaluating responsibilities

The IBs together with the beneficiary entities will periodically monitor the progress of the strategies that will include the presentation of the achievements. Those achievements will be quantified based on outcome indicators defined by the MA. If the monitoring of the strategies reveals any type of difficulty for the progress in its implementation, the appropriate measures will be taken in accordance with the eighteenth section of this same 5 call. The Sub directorate

General of Programming and Evaluation of Community Programs will define, together with the beneficiary Entities, the evaluation requirements of the DUSI Strategies, in order to integrate the evaluations that are foreseen in the Urban Development scope, in the Plan of PCOS evaluation.

For Agul ITI a Commission for the Coordination and Monitoring of the ITI in charge of preparing the annual reports for each Operational Programme. It also has to propose updates of the strategy, project portfolios and to inform the monitoring committees of each OP of the progress in implementation and results. Monitoring is based on the OP core quantitative indicators supplemented by a list of specific city indicators originating from existing strategies and systems. Furthermore, for Agul ITI, an annual progress report has to include not only quantitative indicators, but also a qualitative assessment of the interventions. The evaluation process for this ITI involves that every operation will be evaluated within each of the contributing regional Operational Programme. Thus, regional authorities have to include a specific section devoted to ITI in each annual implementation report for each Operational Programme. A specific evaluation of the ITI Agul will also be carried out at the central level in 2020 by the DG for EU Funds, which is the managing authority of all ERDF OPs in Spain.12

Capacity building

One of the main problems in designing and implementing ITI strategies in Spain was the challenges in aligning local priorities and frameworks with the objectives of the Operational Programme, originating from the thematic concentration. This has also been the case of the Danube Delta ITI in Romania, that received extensive funding for energy efficiency, a topic that is less important for a Natural Reserve area. Overall, the ITI experiment is seen in Spain as a major opportunity in attracting private investments in the blue economy. Furthermore, the integrated place-based approach in some cities created a good platform for improving the horizontal dialogue between the actors from the same territory.

France

Background

Partnership Agreement

France has committed to allocating 10 percent of its ERDF-ESF funds to sustainable urban development strategies. SUD is delivered through an integrated and multisector approach, and will aim to:

- promote economic dynamism in the territories and fight against exclusion;
- limit cities’ environmental impact and enhance living conditions, housing and employment;
- address issues in priority districts;
- foster local partnerships and shared governance, and provide technical assistance and;
- develop new methods of governance between urban authorities and enhance French cities’ attractiveness abroad.

These funds (implemented either through an ITI or a dedicated priority axis) will be used to finance the implementation of State-urban authorities’ multi-sectorial contracts for deprived urban areas. France’s urban policy is implemented through a unique format of multi-sectoral contracts signed between the State and urban authorities which incorporate districts, targeted by urban policy spatial coverage. Priority (around 95%) for ITIs will be given to territories that are covered by such contracts (‘city contracts’; “contrats de ville” – 300 out of 400 expected to be signed by the end of July for the 2015-2020 period).

The method used to identify the targeted areas (which will not all be subject to an ITI) includes:

- median income data and poverty concentration (percentage of the population whose income is below 60 percent of the national median income). This index aims to target areas that undergo several simultaneous disadvantages;
- it applies to territories that are part of urban areas of 10,000 inhabitants or more. (OPs show exceptions for Brittany and Limousin, which will implement 21 urban and one rural ITIs.)

All the regions but seven have identified in their OPs the territories that will benefit from ITIs. The others will launch a call for projects. Further conditions applied to the selection process appear in the OPs and the calls for projects. The indicative amounts for ERDF are 850,215,000 euros (10.09 percent of total envelope) and for ESF 62,370,225 euros (1.83 percent of total envelope).

Operational Programmes

The Partnership Agreement (PA) identifies four main issues to be targeted in the context of urban development:

- real estate strategy and spaces’ valorization (mostly to limit urban sprawl);
- networks and mobility (develop sustainable and cleaner mobility opportunities, more efficient and smarter networks for electricity, water, transportation, heating, develop capacities of digital networks).
The CGET is in charge of the national supervision of these contracts.

The most local level of authorities authorized to manage SUD funds is the grouping of subnational authorities and metropolises (special sort of municipalities with extended powers; regular municipalities alone are not eligible). Around 150 groupings will be in charge of the implementation of an ITI (will co-launch the calls for projects with the State), against 62 IUPs during the last period. The municipalities will be associated to the implementation on their territory when they are competent.

In terms of monitoring and evaluation a Steering Committee is setup which is co-chaired by State representatives and groupings and municipal actors involved in the implementation of the Contract. The Region, the Department, Social Housing structures, the Regional unit of the Deposit and Consignments Fund (historical public investor, mostly in housing and infrastructure), several social security departments, the National Job and Unemployment Agency, Citizen councils also participate.

The CGET is in charge of the national supervision of these contracts.

**Characteristics of Urban Development Strategies**

France has tripled the number of its territories covered by integrated intervention tools compared to 2007-2013 (called Integrated Urban Projects 2007-2013) and some frameworks will be implemented through devoted multi-thematic axes from the OPs. At the national level the focus of the strategy relates to three pillars: social cohesion, living conditions and urban regeneration, and economic development and employment. There are also three horizontal axes:

- social cohesion, living conditions and territorial attractiveness (promotion of social mix at the district level, diverse housing supply at the relevant level, development of services, activities and businesses to balance urban spaces); and
- environment and resources (reduction of energy, water, raw materials consumption, and of waste, CO2 and polluting substances production; anticipation of climate change, of natural and industrial risks; greener cities).

Consequently, the most addressed themes in the OPs are sustainable urban mobility and energy efficiency (TO 4 – included in 19 ITIs), resource efficiency and environment protection (TO 6) social inclusion (TO 9); support to SMEs (TO 3) and ICTs (TO 2) in 10 to 13 ITIs each.

Around 10 percent (924 million euros) of ESF-ERDF resources will be used for Sustainable Urban Development, to which 200 million euros will be added from the ESF National OP. This amount is expected to increase during the period. since the ESF allocations are more difficult to anticipate, as they target the public instead of a territory. The average 10 percent hides regional disparities in resources allocation, for instance. Centre and Poitou-Charentes will comply with the European five percent minimum, whereas Ile-de-France will allocate 20 percent of its funds to SUD.

Sixteen out of 27 regions have decided to address urban issues through ITIs whereas other 10 will implement a multi-thematic urban priority. This is consistent with France’s experience in integrated territorial approach, especially for urban policies. Territorial approaches will also be implemented through 5 interregional OPs which account for 165 million euros, and four pluri-regional axes integrated in regional OPs and which amount to 39 million euros.

The most local level of authorities authorized to manage SUD funds is the grouping of subnational authorities and metropolises (special sort of municipalities with extended powers: regular municipalities alone are not eligible). Around 150 groupings will be in charge of the implementation of an ITI (will co-launch the calls for projects with the State), against 62 IUPs during the last period. The municipalities will be associated to the implementation on their territory when they are competent.

Different funding schemes contribute towards the urban development strategy:

- ESI Funds
- State credits for urban policy (program 147)
- Other sectorial State funding
- Subnational authorities’ sectorial credits (Municipalities of the grouping region department)
- Deposits and Consignment Fund (also technical assistance)
- Social Housing Organizations
- The National Urban Regeneration Agency (ANRU)

In cases where selected areas are already covered by the national urban policy, this document can form the basis of the integrated strategy. However, it is noted that the better strategies were not necessarily those drafted by territories previously covered by the Integrated Urban Projects (IUPs), during the 2007-2013 ERDF period.

**Institutional framework**

A dedicated coordinating structure. Urban and Social Project Management (Maitrise d’oeuvre Urbaine et Sociale – MOUS) which is closely linked to the municipalities in charge of contract implementation is tasked with coordinating the actions of more specialized actors. The following levels will collaborate to implement the strategy:

- Departments (social cohesion and inclusion, social housing)
- Regions (transportation, professional formation, economic development)
- Deposits and Consignment Fund (urban regeneration and social housing, economic development and ecological transition)
- State units at the departmental level (all fields or when the national ESF OP on social inclusion is involved)
- Citizen councils, territorial networks, specialized municipal structures will launch and...
Monitoring and evaluation

In cases where metropolises are implementing SUD through a global grant, they are in charge of monitoring and controlling the funds. But such cases are exceptional. There are specific monitoring and control committees for IUSD funds. Membership consists of the MA, the relevant urban authority, representatives of municipalities which are part of the grouping the state, and the Deposits and Consignments Fund, in addition to those applied to city contracts or other European funds from the OPs. The MA (the regions) will be responsible for achieving the monitoring and control activities. It’s the case in Aquitaine for instance, where the Urban authorities will only be in charge of project selection.

EU requirements in terms of evaluation are perceived as an opportunity to apply good practice to all city contracts. According to a national guidance document, EU funds require a specific approach in terms of management, monitoring and evaluation. There should be specific evaluation activities for SUD funds, on top of those applied to the city contracts or the other European funds from the OPs. In most cases, the MA of the OP (the Regions) assume responsibility for evaluating the SUD. TA funds from the OP will be used to provide assistance. However, in a more limited number of cases where global grants are used, evaluation is the responsibility of the Intermediate Body. It is recommended to use an external evaluator for SUD evaluations. During the previous period, the lead actor of the IUP (ex-ITI) was in charge of conveying information and indicator data to the Managing Authority, to run evaluation activities.

A list of suggested indicators has been drafted on demographics, housing, employment, standard of living, education, safety, health. Data is provided by relevant institutions (State, municipalities and groupings, social policy institutions) and a convention is signed between the Management Authority and the selected territories. This includes ISUD implemented through ITIs or a multithematic axis. It covers territories for which “city contracts” are formulated. In the case when SUD target areas that are not covered by the national urban policy national coverage, conventions will still be used, and articulated with other regional and local policies, but with no framework document falling under the national urban policy.

Intermunicipal groupings are set-up as legal entities consisting of association of municipalities which share a set of responsibilities according to the municipalities choice and the legal status of their association. The size and the scope of responsibilities of these groupings vary. These groupings will be project owners and are intermediate bodies, in the sense that they implement the strategy by selecting the projects/allocating the funds. The intermunicipal groupings are also potentially managers.

Responsibilities can be limited (e.g. project selection) or more extensive (e.g. global grant). It’s up to the MA to decide whether delegation implies a global grant or a more limited delegation of responsibilities. CGET has announced that every “metropolis” (Paris, Marseille, Lyon and around ten other urban areas of 400,000 inhabitants or more) that would request a global grant would obtain it. However, the use of global grants is expected to be limited.

Some Regions implement SUD through “City contracts” which involves a large range of actors and of which the urban authority/intermunicipal grouping (Métropoles et EPCI) is the lead member. It is in charge “at least” (according to PA) of project selection. These are monitored by the Steering Committee (COPIL). Within this framework delegation of implementation responsibility to municipalities is possible. Other also apply SUD Funds to territories that are not covered by City Contracts. Another exception applies to two Regions which apply SUD Funds in rural areas.

Intermediate bodies (art.123-6 CPR) are the intermunicipal groupings which are the lead member of the Steering Committee of the City Contracts, which is the main (but not only) framework under which SUD funds will be used. Technical committees (with thematic working groups) prepare Steering committees’ meetings.

In some cases, these intermunicipal groupings have already been in charge of some ERDF funds as intermediate bodies in the past and therefore had some previous experience. However, in other cases there is limited or no experience. At the intermunicipal level, the regions have dedicated 5 percent of OP Technical Assistance/project engineering to help some future intermediate bodies. A call for interest was launched, and all the respondents, twelve intermunicipal groupings, were accepted. Besides Bordeaux Metropole, these are mostly groupings led by smaller towns. The SUD approach is perceived as an opportunity to develop dialogue and coordination between the different levels of policy making.

A call for interest was launched, and all the respondents, twelve intermunicipal groupings, were accepted. Besides Bordeaux Metropole, these are mostly groupings led by smaller towns. The SUD approach is perceived as an opportunity to develop dialogue and coordination between the different levels of policy making.
Portugal

Background

The territorial focus of SUD in Portugal is at metropolitan level and top-level urban centers as defined in the national spatial planning strategy, and the SUD is implemented through dedicated priority axes under regional Operational Programmes. The aim of the Portuguese SUD approach is to:

- Strengthen the role of **metropolitan areas** in the structuring of the urban system, with a particular focus on the challenges associated with low carbon strategies (e.g. energy efficiency and sustainable mobility) and regeneration and urban renewal; and

- Promote urban regeneration in **urban centers that structure the national urban system** and that provide an interface in the articulation of urban-rural linkages, namely the so-called top-level urban centers defined in the spatial planning strategy PNPOT / PROT and Urban Renewal Areas (Áreas de Reabilitação Urbana) as defined in legal regime for Urban regeneration (Decree-Law No. 307/2009, amended by Law No. 32/2012 of 14 August).

The specific urban centers are identified in the relevant regional OPs as follows:

**TABLE 11.** Specific urban centers in Portugal’s territorial areas

<table>
<thead>
<tr>
<th>Territorial areas (top-level urban centers)</th>
<th>Arouca; Espinho; Gondomar; Maia; Matosinhos; Oliveira de Azeméis; Paredes; Porto; Póvoa do Varzim; Santa Maria da Feira; Santo Tirso; S. João da Madeira; Trofa; Vale de Cambra; Valongo; Vila do Conde; Vila Nova de Gaia; Braga; Vila Real; Bragança; Barcelos; Chaves; Guimarães; Lamego; Macedo de Cavaleiros; Miranda do Douro; Penafiel; Viana do Castelo; Vila Nova de Famalicão.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norte</td>
<td>Aveiro; Coimbra; Figueira da Foz; Leiria; Viseu; Guarda; Covilhã; Castelo Branco; Torres Vedras; Caldas da Rainha; Ovar; Ilhavo; Águeda; Cantanhede; Pombal; Marinha Grande; Manguel; Tondela; Seia; Gouveia; Oliveira do Hospital; Ourém; Torres Novas; Entroncamento; Abrantes; Alcobaça; Nazaré; Óbidos; Peniche e Alenquer</td>
</tr>
<tr>
<td>Centro</td>
<td>Alcochete; Almada; Amadora; Barreiro; Cascais; Lisboa; Loures; Mafra; Moita; Montijo; Odivelas; Oeiras; Palmela; Seixal; Sesimbra; Setúbal; Sintra; Vila Franca de Xira.</td>
</tr>
<tr>
<td>Lisboa</td>
<td>Évora; Beja; Portalegre; Santarém; Elvas; Campo Maior; Sines; Santago de Cacém; Santo André; Ponte de Sôr; Nisa; Vendas Novas; Montemor-o-Novo; Estremoz; Reguengos de Monsaraz; Castro Verde; Aljustrel; Serpa; Moura; Odemira; Grândola; Alcácer do Sal; Almeirim; Benavente; Coruche; Cartaxo; Rio Maior.</td>
</tr>
</tbody>
</table>

The rationale for selecting these areas is described in the Partnership Agreement as being informed by functional characteristics (particularly in the metropolitan areas), coherence and impact considerations along with alignment with the Urban Renewal Areas (ARU) defined in the pre-existing legal framework for urban development policy (Law No. 307/2009).
Funding

The Partnership Agreement sets out the following financial allocations to SUD:

**TABLE 12.**
SUD allocations in PA

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation</th>
<th>Share of Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>908,000,000 euros</td>
<td>8.6%</td>
</tr>
<tr>
<td>ESF</td>
<td>96,000,000 euros</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

The final allocations to SUD were agreed as part of the regional OP negotiations and range from 11.9 percent (Centro) to 14.1 percent (Alentejo) of total ERDF allocations.

**TABLE 13.**
SUD allocations in Portuguese ROPs

<table>
<thead>
<tr>
<th>OP</th>
<th>Priority Axis</th>
<th>Investment Priority</th>
<th>Fund</th>
<th>Allocation</th>
<th>Share of ERDF</th>
<th>Share of ESF</th>
<th>Share of ERDF + ESF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norte</td>
<td>P5. Urban System</td>
<td>4.5</td>
<td>ERDF</td>
<td>209,277,052</td>
<td>13.76%</td>
<td>11.39%</td>
<td>25.15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.5</td>
<td>ERDF</td>
<td>102,866,742</td>
<td>12.05%</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>9.8</td>
<td>ERDF</td>
<td>72,808,789</td>
<td>11.89%</td>
<td>8.88%</td>
<td>20.77%</td>
</tr>
<tr>
<td>Centro</td>
<td>P9. Strengthening the Urban Network</td>
<td>4.5</td>
<td>ERDF</td>
<td>63,000,000</td>
<td>12.05%</td>
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</tr>
<tr>
<td>Lisboa</td>
<td>P8. Sustainable Urban Development</td>
<td>4.5</td>
<td>ERDF</td>
<td>30,000,000</td>
<td>11.89%</td>
<td>8.88%</td>
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</tr>
<tr>
<td>Alentejo</td>
<td>P4. Sustainable Urban Development</td>
<td>4.5</td>
<td>ERDF</td>
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<td>14.13%</td>
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</tr>
</tbody>
</table>

Source: Partnership Agreement for Portugal, p.313

Themes

The thematic focus of the SUD Priority Axis in the Regional OPs (North, Center, Lisbon, and Alentejo) is on three Investment Priorities (IPs):

- Physical regeneration of economic and social communities and deprived urban areas through integrated interventions with physical (including buildings), economic and social dimensions (IP 9.8).
- Improving the urban environment and the regeneration of cities focused interventions aimed at upgrading public spaces and buildings (including housing), in order to improve urban environment (IP 6.5) and
- The regeneration of urban centers in line with the spatial planning strategy, particularly through the mobilization of investment priorities for reducing CO2 emissions and promoting more sustainable urban mobility systems (IP 4.5).

The regional OPs implement the SUD through integrated interventions to support urban regeneration, mobility and deprived urban areas, with some variations across OPs in the formulation of the specific objectives within these investment priorities.

**TABLE 14.**
SUD investment priorities and specific objectives

<table>
<thead>
<tr>
<th>Regional OPs</th>
<th>Specific Objectives</th>
<th>Investment Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norte</td>
<td>Promote social inclusion in disadvantaged urban areas through physical, economic and social regeneration initiatives</td>
<td>IP9.8: Support for physical, economic and social regeneration of deprived communities in urban and rural areas</td>
</tr>
<tr>
<td></td>
<td>Promote environmental, urban and landscape quality of the urban centers as a factor of territorial structure, social welfare and regional competitiveness</td>
<td>IP6.5: Adoption of measures to improve the urban environment, regenerate cities, recover and decontaminate brownfield sites, including conversion zones, reduce air pollution and to promote noise reduction measures</td>
</tr>
<tr>
<td></td>
<td>Promote sustainable mobility within a wider low-carbon framework of economic and social development and strengthening of cities as privileged spaces for integrated policies and anchors of regional development</td>
<td>IP4.5: Promoting low-carbon strategies for all types of territories, in particular urban areas, including the promotion of sustainable multimodal urban mobility and relevant adaptation and mitigation measures</td>
</tr>
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<td>Centro</td>
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<td>Promote sustainable mobility within a wider low-carbon framework of economic and social development, promoting economic and social cohesion and ensuring territorial equity in access to infrastructure collective facilities and services of general interest</td>
<td>IP4.5: Promoting low-carbon strategies for all types of territories, in particular urban areas, including the promotion of sustainable multimodal urban mobility and relevant adaptation and mitigation measures</td>
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<td>IP9.8: Support for physical, economic and social regeneration of deprived communities in urban and rural areas</td>
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<td></td>
<td>Promote environmental, urban and landscape quality through regenerating brownfield sites and improving the quality of information and monitoring of air quality</td>
<td>IP6.5: Adoption of measures to improve the urban environment, regenerate cities, recover and decontaminate brownfield sites, including conversion zones, reduce air pollution and to promote noise reduction measures</td>
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<td>Promote ecological mobility with low carbon emissions</td>
<td>IP4.5: Promoting low-carbon strategies for all types of territories, in particular urban areas, including the promotion of sustainable multimodal urban mobility and relevant adaptation and mitigation measures</td>
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</table>

Source: “Planos Estratégicos de Desenvolvimento Urbano”. Convite para a apresentação de candidaturas

**Characteristics of the Sustainable Urban Development Strategies**

**Process of selection of SUD strategies**

The responsibility for approving the UDS rests with the MA of each Regional OP based on a competitive selection process. The main evaluation principles/criteria relate to the OP indicators and targets; the rationale and proportionality of the proposed investments; the administrative capacity of urban authorities; socio-functional characteristics of the areas; coherence and coordination of interventions with other urban regeneration instruments; and sufficient critical mass to achieve impacts. There were two stages in the evaluation/selection process.

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</tbody>
</table>
• **Stage 1.** The first phase comprised the analysis of the (1) coherence and quality of the UDS taking account of a pre-existing Integrated Strategy for Territorial Development and (2) the level of ambition concerning the investment goals and results, and the governance, monitoring and evaluation arrangements. A qualitative assessment is undertaken using three ratings (good, sufficient and insufficient). A rating of ‘insufficient’ leads to a rejection with the possibility for a revised resubmission taking account of the terms and timeframe set in the MAs decision. Proposals with a ‘good’ or ‘sufficient’ rating are assessed again by the MA in cooperation with public agencies with competences in the areas covered by the plans, namely the DG for Territory, the Institute for Housing and Urban Rehabilitation, the Institute of Social Security and the Institute for Mobility and Transport. This opinion is based on the evaluation principles/criteria noted above.

• **Stage 2.** The second stage involves negotiations between the MA and municipality on the configuration and rationale of the investments, the commitments in terms of results and targets, and the capacity for implementing the UDS. These negotiations can lead to adjustments in the content of the plan in terms of ambition, the level of detail, as well as the contribution to the goals and objectives of the OPs and the financial allocations.

The final approval decision by the Management Authority includes:

- The powers delegated by each Management Authority in relation to the costs associated with the exercise of these powers, financed under the technical assistance of the respective OP.
- The funding amounts and timing of funding.
- The commitments in terms of investments, goals and results.
- Governance issues concerning the instruments and leadership mechanisms, participation, accountability, monitoring, supervision, evaluation and audit.
- Any other conditions deemed necessary.

**Coordination with existing strategies/frameworks**

The Urban Development Strategies are informed and designed on the basis of three pre-existing plans:

- Sustainable Urban Mobility Plan at NUTS III level.
- Urban Regeneration Action Plan in a defined geographical area, based on the Urban Renewal Areas (ARU) created under Decree-Law No. 32/2012 and in specific historical centers, riverside zones or brownfield sites.
- Integrated Action Plans for disadvantaged community targeted, with a defined territorial area at the infra-municipal level based on socio-functional characteristics.

**Developing Sustainable Urban Development Strategies (criteria)**

The call for Urban Development Strategies under the regional OPs was launched on June 19, 2015 and ran until September 10, 2015. It set out the following required content:

- Diagnosis.
- Objectives and strategy.
- Investment priorities.

**Expected Results: critical success factors and interdependencies and Governance model**

<table>
<thead>
<tr>
<th>Criteria to structure urban development strategy</th>
<th>Requirements stated in call for Urban Development Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data used to describe urban context: Statistical data (demography, employment, industrial) Other referenced evidence</td>
<td>Data should cover socio-functional characteristics of the area, the main problems and priorities based on pre-existing statistical indicators largely from census data. Accessibility data should be based on national institute of statistics data. Analyses of deprived areas should include at least 3 of the following indicators: long term unemployment, economic activity, poverty and social exclusion. Social exclusion linked to immigrants and minorities: early school leaving, crime, demographics and environment.</td>
</tr>
<tr>
<td>Focus of strategy (main aspiration, vision, key objectives)</td>
<td>Objective and strategy must be provided, including the coherence and articulation with OP objectives with other urban development tools. The integrated territorial development strategy for ITIs approved at the level of NUTS III (intermunicipal communities and metropolises areas). Programs and territorial plans covering the territory in question, notably the PROT and Municipal Master Plans and Urban Renewal Areas, based on the legal framework for urban policy.</td>
</tr>
<tr>
<td>Action schedule: Is there a breakdown of actions and/or a timetable for completion?</td>
<td>Types of actions and a timetable for completion must be included in the urban development strategy based on a file annexed to the call.</td>
</tr>
<tr>
<td>Funding scheme: Summary of resources needed and potential sources (including but also beyond ERDF/ESF)?</td>
<td>Funding levels and sources must be specified in a model file.</td>
</tr>
<tr>
<td>Framework for delivery: Who will deliver actions? What are the governance arrangements? Which indicators will be used to monitor progress?</td>
<td>The actions must specify the actors involved. A section on governance arrangements is also required. The UDS indicators should take account of OP indicators under the urban development priority axis. (1) Output Indicators: including number of sustainable urban mobility plans implemented, mobility projects approved, high-demand transport corridors implemented, multimodal interfaces supported, paths dedicated to light transport (pedestrian/cycling) or reducing carbon emissions, open spaces created or regenerated, buildings constructed or rehabilitated; and (2) Results indicators: including increase in satisfaction of residents in the areas with urban development strategies estimated emission of greenhouse gases. Urban authorities can propose alternative indicators if the indicators above are not relevant to the proposed strategies.</td>
</tr>
</tbody>
</table>

Is there a description of risks? What are they? What actions are proposed to mitigate any risks? A risk analysis is not formally required. However, critical success factors must be identified.

**Institutional Framework**

The institutional framework for delivering the integrated sustainable urban development requirements in Cohesion policy is set out in the Partnership Agreement. Operational Programmes and in domestic legislation defining the ESIF governance model (Decreto-Lei No. 137-2014, September 12, 2014) and a national regulation for the theme Sustainable and Efficient Use of Resources (Portaria No. 57-B/2015, February 27, 2015).

Integrated Sustainable Urban Development will be implemented through a priority axis in the regional OPs Norte, Centro, Lisboa and Alentejo in the mainland of Portugal. The regional OPs are managed by the Regional Coordination and Development Commissions, decentralized agencies with responsibility for regional development. The Managing Authorities are responsible for approving Urban Development Strategies, which are proposed and implemented by municipalities.
Intermediate bodies
Municipalities with approved urban development strategies will have delegated responsibilities as intermediate bodies and have authority for implementing the strategies and the selection of projects, based on project selection criteria approved by the respective OP Monitoring Committee.

Implementation responsibilities
The Managing Authorities of the regional Operational Programmes are responsible for approving Urban Development Strategies - proposed and implemented by municipalities - and verifying the eligibility of projects and their consistency with the respective Urban Regeneration Action Plans during the implementation phase.

Within the framework of EU and national rules, municipalities have delegated responsibilities (as intermediate bodies) for implementing the urban development strategies and project selection (based on project selection criteria approved by the respective OP Monitoring Committee) ensuring the alignment of the selected projects with the approved Urban Development Strategy.

Monitoring and evaluation

Evaluating responsibilities
The responsibility for evaluating the Urban Development Strategies lies with the ROP MAs, which will undertake mid-term evaluations of the Urban Development Strategies in 2019.

Capacity building
Technical assistance funding is available to fund the costs of responsibilities delegated by Management Authorities to municipal intermediate bodies. A call was also launched to support the development of Urban Development Strategies funded by the TA of the OPs, with a limit of 25,000 euros per award.

Germany (Nordrhein-Westfalen)

Background

Programming Documents
Germany has one national ESF OP (managed by the Federal Ministry of Employment and Social Affairs). In addition, each of the 16 Länder/Regions has an ERDF OP and an ESF OP (except for Lower Saxony, which has a joint ERDF/ESF OP) (managed by Land Ministries). All decisions on the OP strategies and structures are taken at the level of relevant managing authority - i.e. structures tend to differ between Länder. However, since the 2007-13 period, there have been regular meetings between all managing authorities, which has led to the discussion of common problems and the adoption of shared positions via a vis the commission on specific issues.

Partnership Agreement
The PA (pp.216-221) notes that local authorities (i.e. Städte, Kreise and Gemeinde) and Länder already have significant knowledge in terms of urban development strategies and spatial development plans.

Most ERDF OPs (which are all at Land level) fund integrated urban development projects in the context of integrated functional-spatial development strategies, often involving cooperation between a range of different actors. The approach taken will vary between Länder, i.e. either via:

- ITI (in Schleswig-Holstein);
- predefined urban centers implemented through mixed priority axes, which include funding for more than one Thematic Objective (TO); or
- competitive calls or project calls for ISUD projects implemented through mixed priority axes, which include funding for more than one Thematic Objective (TO).

Some ESF OPs also fund ISUD e.g. via the federal ESF OP. This will continue the existing approach of funding projects aimed at improving employment and educational opportunities for disadvantaged people in structurally weak urban areas.

The PA states that the relevant OPs (i.e. in Schleswig-Holstein) include information on the principles used for selecting ITI areas and for identifying and selecting projects. In particular, it notes that projects will have to demonstrate European value added. To the extent that ITI support sustainable urban development, the relevant actors and project applicants will take responsibility for ensuring that projects meet the requirements of ERDF regulation Article 7(4). The Schleswig-Holstein ERDF OP identified the areas to be covered by the ITI.

The German PA also set out principles which were used for selecting all projects in the field of integrated urban and regional development (i.e. not only those funded via an ITI), and which are already well-established components of integrated urban development strategies in Germany:

- Analysis of the strengths and weaknesses of the town and areas within the town;
- Formulation of coherent development goals for the urban area and a vision for the town;
More than five percent of ERDF funding in 2014-20 was allocated for integrated urban development projects (compared to 7.5 percent for sustainable, integrated urban development in Germany in 2007-13). ERDF funding for ISUD mainly focused on TO6 and TO9, with some additional funding for projects (compared to 7.5 percent for sustainable, integrated urban development in Germany in 2007-13). ERDF funding for ISUD mainly focused on TO6 and TO9, with some additional funding for TO1, TO3, TO4 and TO5. ESF funding for ISUD will focus on TO8, TO9 and TO10.

Operational Programme

One of the four priority axes in the Nordrhein-Westfalen ERDF OP (five, including Technical Assistance) is called Sustainable Urban and Quarter Development / Preventative Approach (Mixed Priority axis). There will be no ITI. Instead, this Priority axis will fund integrated strategies and projects within these strategies. Thus, integrated strategies are a precondition of funding, and these strategies must include a description of the economic, ecological, climate-oriented, social, demographic, and cultural quality of these areas.

This approach is framed by existing Land policies, notably:
- Preventative approach to problems relating to social inclusion, notably under the banner ‘Leave no child behind’.
- Integrated Framework Strategy for the Social City Programme and the Preventative Approach to Urban Quarter Development, and
- Targeted funding for the reclamation and re-use of industrial and ex-military land, and
- Biodiversity strategy.

The ISUD will be selected via thematic project calls targeted on local authorities and other local actors. An expert jury will assess the ISUD proposals on the basis of transparent criteria and will make recommendations on funding. Depending on the result of an ex ante assessment, the NRW authorities may also decide to allocate ERDF funding for the creation of an urban development fund, which could provide loans to local authorities and related bodies.

The NRW ERDF OP Priority axis focuses on TO6 and TO9, and each list of funded projects must cover both TO. Specifically, the objectives are:
- TO9(b) providing support for physical, economic and social regeneration of deprived communities in urban and rural areas’;
- TO8 ‘taking action to improve the urban environment, to revitalize cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures’; and
- TO6(d) ’protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000 and green infrastructure.’

Total ERDF funding will be just under 218 million euros, or 17.96% of ERDF funding. Ultimate responsibility for the ISUD will lie with the core authorities in charge of the NRW ERDF OP:
- The ERDF OP managing authority is a unit in the Land Ministry for the Economy, Energy, Industry, SMEs and the Craft Sector, and is responsible for designing the project call for tender, oversight, monitoring, evaluation.
- The ERDF OP certifying authority is a separate unit in the Land Ministry for the Economy, Energy, Industry, SMEs and the Craft Sector.
- The ERDF OP audit authority is in the Land Finance Ministry.

The Managing Authority has delegated significant tasks to intermediate bodies. In the case of the ISUD, there is a division of labor as follows:
- The Land Ministry’s five de-concentrated offices in NRW’s regions (Bezirksregierungen) are named as formal OP intermediate bodies, and are responsible for financial management (commitments, payments, etc.) and for final formal decisions on project selection.
- The local authorities, which are responsible for designing and implementing the ISUD and for selecting projects within these strategies (subject to the formal approval of the Bezirksregierungen).

Further, a Land Ministry-level committee will be set up to select the strategies to be funded – made up of the representatives of the Bezirksregierungen and external experts in relevant fields e.g. urban development, preventative measures, social issues, environment.

Characteristics of Urban Development Strategy

NRW Land launched a multi-fund (ERDF, ESF, and EAFRD) call for proposals for integrated urban strategies in February 2015, which will also draw on domestic Land and city authority funding. The call covers all three EU Funds (i.e. including EAFRD) because the Land government has taken a political decision to endeavor to improve coordination and integration of the different EU Funds in 2014-20, even though this is often challenging (e.g. due to slight differences in the interpretation of the rules of the three Funds).

The calls-for-proposals are organized around two separate sections:
- One funded by the ERDF and ESF, focused on integrated urban strategies for areas/quarters in cities and towns, and
- One funded by the EAFRD and ESF, focused on integrated local strategies or village development strategies for rural areas.

Are ISUD based on pre-existing strategies?

The Land and city authorities in NRW already have considerable experience with integrated urban strategies, which inter alia were funded by the Land ERDF OP in 2007-13. Existing strategies were often used as the basis for participating in the call of February 2015. However, they must be revised and updated to meet the requirements of the call, notably:
- A description of problems facing specific areas;
- An assessment of the regeneration measures undertaken; and
- Strategic goals and specific measures consistent with the call, namely a focus on preventative measures for social integration and poverty prevention, inclusion of the five Priority axes of the ERDF OP, and at least one project related to the environment and one related to social integration.
The structure of the ISUD

The call for tender in February 2015 set out the elements to be included in the ISUD. These elements, which are agreed by the ERDF/ESF Monitoring Committee, were used as criteria for selecting which ISUD will be approved for funding. These elements included:

- A SWOT analysis, focused on the economic, ecological, climate-based, demographic and social challenges facing the areas targeted by the ISUD.
- An appropriate action strategy setting out development goals which are anchored in city-wide development strategies (notably for social planning and preventative measures).
- Concrete measures including costing and financial plans and, if the aim was to obtain ERDF funding, also details of projects that related to the following specific goals of the ERDF OP:
  - Goal 11: Improvement of the integration of disadvantaged social groups in employment, education and the community.
  - Goal 12: Ecological revitalization of towns and urban hinterlands.
  - Goal 13: Development and reclamation of land for urban development or ecological purposes.
- Respect for the horizontal goals of sustainability, non-discrimination, and gender equality.
- A description of implementation structures and procedures at a local level (e.g., management of urban quarters, citizen participation, inter-departmental, and cross-sectoral cooperation).
- A description of civil society engagement.
- A description of probably private investment (by housing, service sector, and commercial firms).
- A description of impact-oriented monitoring and quality control procedures (based on indicators used for selecting ISUD-areas).
- Statements on how the stated goals are to be achieved, and
- Statements on projects to be funded through loans (e.g., housing development or the Land’s urban development loan fund).

What data is used to describe urban context?

The selection of areas to be targeted was based on a citywide comparison, using indicators which reflect the specific problems of different areas, e.g.,

- Demographic structure, especially an above-average percentage of children and young people.
- Social structure, such as unemployment rates, the percentage of recipients of unemployment or welfare benefits (SGB II or SGB III) or sickness, disability, and pension benefits (SGB IV), especially among people under 18 years of age, and the percentage of single parent families.
- The self-employment rate in trade, services, commerce, and craft sectors.
- Poor environmental conditions.
- Weaknesses in the city’s climate situation.
- Deficits in the physical urban environment, and
- Below-average housing quality.

Funding sources

The project call states that priority will be given to measures which can be co-funded by existing federal and Land programs, notably:

- Core funding programs (such as employment assistance for individuals delivered via the Federal Employment Agency [Bundesagentur für Arbeit] or the Jobcenter), which may be co-funded by EU resources.
- Federal programs such as ‘Education, business and labor in urban quarters’ (Bildung, Wirtschaft, Arbeit im Quartier, BWQAQ) and ‘Strengthening young people in urban quarters (Jugend stärken im Quartier)’, which are funded by the ESF Federal OP and are closely related to the ISUD approach.
- Land programs for housing development, which can be used for themes that are not eligible for EU funding.
- Support for city authorities for jobs in the fields of early childcare, schooling, and policing.

The ISUD will combine funding from the ERDF/ESF funding (up to 50 percent), together with domestic Land funding (30-40 percent) and local authority funding (10-20 percent).

Institutional framework

The institutional frameworks for the ISUD in NRW are complex. This section outlines the main entities at different levels and also their main tasks. The NRW ERDF OP had 108 intermediate/implementing bodies in 2007-13 - but this has been reduced significantly to seven major IB plus two small IB in 2014-20. The new IB are:

- The NRW’s five administrative subregions (Begünstigungsregionen) - i.e., non-elected regional arms of the Land administration.
- An agency based in a major research center, which is responsible for most support for innovation (Leitmarkt Agentur NRW).
- The Land development bank (NRW.BANK).
- Two agencies, tasked with administering specific, smaller amounts of funding.

The reduction in the number of IBs has enabled various other changes:

- The IB will be responsible for most of the day-to-day implementation tasks (e.g., committing funds and making payments) and the MA will give them blocks of funds to manage (whereas in 2007-13 core financial management tasks were undertaken by the MA or by the CA).
- The IB will undertake day-to-day project monitoring, whereas the MA will focus on quality control, on sample project checks, on cases where there are conflicts, and on large projects.
- The IB will enter project data directly into the monitoring database, whereas in 2007-13 only the MA could do this.
- The IB will be members of the OP monitoring committee.

The NRW managing authorities cites the following benefits of having fewer IBs:

- Easier to ensure a consistently high-quality administrative approach across all components of the OP.
- Easier to ensure that all staff are up-to-date in all procedures and technical tasks, and able to provide appropriate and correct advice to applicants.
The main difficulty in relation to IBs in Germany in 2014-20 has been that European Commission staff argued during the negotiations that local authorities had to be IB for urban development strategies (ERDF regulation 2014-20, Article 7). The key problems from the NRW Land perspective were:

- They wanted to simplify administrative procedures, which they saw as depending on a reduction in the number of IBs – but there are 60-70 local authorities in NRW, so, if these had been IBs, the streamlined approach would not have been possible.
- Most domestic co-funding for urban development strategies is provided by the Land government. If the local authorities were IBs, they would have the power to decide on how Land funding would be used – but under domestic law, local authorities do not have the power to decide how Land funding should be used – only the regional government (the Land) can do.

The compromise solution is that the local authorities are taking on some of the IB tasks but not others. In particular, a Land-level committee will select urban development strategies – although the final formal decision will be taken by the Land’s five administrative subregions (Bezirksregierungen).

In order to justify this approach to the Commission, the managing authority had to reach an agreement with each local authority on the division of labor, and this had to be done before the urban development strategies could be developed. This work is seen to have been burdensome and not useful from the perspective of both Land and local authorities. There remain concerns that this approach could mean that the local authorities may be subject to audit visits by the ERDF Audit Authority, the European Commission or the European Court of Auditors.

NRW Land authorities responsible for the ERDF and ESF OPs

Some key functions are retained by the core authorities in charge of the NRW ERDF and ESF OPs:

- The ERDF OP managing authority is a unit in the Land Ministry for the Economy, Energy, Industry, SMEs and the Craft Sector, while the ESF OP managing authority is a unit in the Land Ministry for Employment, Integration and Social Affairs.
- The ERDF OP certifying authority is a separate unit in the Land Ministry for the Economy, Energy, Industry, SMEs and the Craft Sector, while the ESF OP managing authority is a separate unit in the Land Ministry for Employment, Integration and Social Affairs.
- The audit authority for both the ERDF OP and the ESF OP is in the Land Finance Ministry.

The managing authorities are responsible for:

- Core OP management tasks, including OP oversight, monitoring, and evaluation (except for tasks delegated to intermediate bodies, including via a formal agreement between the ERDF managing authority and each individual city authority).
- Selecting areas to be targeted by ISUD, using social indicators which reflect the specific problems of these areas;
- Drafting and ensuring city-level approval of the ISUD;
- Submitting the draft ISUD and descriptions of related projects/measures to the relevant Bezirksregierungen for assessment by the regional jury;
- Submitting project funding applications to the relevant Bezirksregierungen (for ERDF/ESF funding) and other Land ministries (for any domestic Land co-financing);
- Implementing the ISUD.

Other tasks delegated to the city authorities

Apart from project selection, the city authorities are responsible for:

- Designing the ISUD call for tender (which sets out the criteria for selecting the ISUD), in cooperation with other Land ministries, notably the Ministry for Construction, Housing, Urban Development and Transport, which leads on urban development.
- Inspecting project selection procedures and results;
- Deciding formally on eligibility (based on EU rules) before approving projects (although this task can be delegated to the Type 1 intermediate bodies)

Type 1 intermediate bodies – the Land’s regional offices

The ERDF and ESF managing authorities have delegated significant tasks for the ISUD to two types of intermediate bodies. The first set of bodies is made up of the Land’s five de-concentrated offices in NRW’s regions (Bezirksregierungen), which are formal OP intermediate bodies (also for other components of the ERDF and ESF OPs). In the context of the ISUD, their tasks are as follows:

- Assisting and advising the city authorities to develop the ISUD and related projects and applications;
- Taking submissions for the ISUD-applications for assessment by the regional jury;
- Taking submissions for specific project applications for those ISUD which have been formally approved by the Inter-ministerial working group;
- Taking formal project selection decisions on behalf of the managing authorities for the ERDF/ESF component of funding on the basis of the project application documents, possibly also informed by the funding decisions of the relevant Land ministries;
- Undertaking procedures relating to financial commitments, control and payments, on behalf of the managing authority.

Type 2 intermediate bodies – city authorities

The second set of intermediate bodies is made up of city authorities. The ERDF Managing Authority has signed a formal agreement with each city authority on the division of responsibilities in relation to project selection in the context of the ISUD. Their tasks are as follows:

- Selecting areas to be targeted by ISUD, using social indicators which reflect the specific problems of these areas;
- Drafting and ensuring city-level approval of the ISUD.
• Submitting the draft ISUD and descriptions of related projects/measures to the relevant Bezirksregierung for assessment by the regional jury.
• Naming an entity or individual to be responsible for project selection, and to act as intermediate body for project selection tasks (under Article 7 of EU regulation 1301/2013 and Article 123(6) of EU regulation 1303/2013).
• Selecting the projects for implementing the ISUD (ensuring a non-discriminatory approach to project selection, based on the selection criteria set out in the call for the ISUD), subject to the formal approval of the Bezirksregierungen (for ERDF/ESF funding) and other Land ministries (for any domestic Land co-financing).
• Documenting in writing the project selection procedures and results.
• Submitting project funding applications to the relevant Bezirksregierungen (for ERDF/ESF funding) and other Land ministries (for any domestic Land co-financing).
• Implementing the ISUD.

Regional juries
Each Bezirksregierung set up a jury, made up of representatives of the Bezirksregierung (as chair): the Society for innovative employment support (Gesellschaft für innovative Beschäftigungsförderung, GIB), the NRW Employment Project (NRW ProjektArbeit), the Coordination Office for Child Poverty in the die Rhine Region (Koordinierungsstelle Kinderarmut beim Landschafствverband Rheinland), the Trade Union Congress’s Education Office in NRW (DGB Bildungswerk NRW), the Information and Training Centre for Local Authorities at the Ruhr University in Bochum (Informations- und Qualifizierungszentrum für Kommunen an der Ruhr (Uni Bochum)), the Land Office for Nature, the Environment and Consumer Protection in NRW (Landesamt für Natur, Umwelt und Verbraucherschutz Nordrhein-Westfalen) and the public NRW development bank (NRW Bank). Each jury assessed the draft ISUD submitted by the city authorities on the basis of the following criteria:
• Evidence of the need for intervention;
• Quality of the ISUD and its contribution to the goals of the ERDF and ESF OPs; and
• Legal criteria, including basic eligibility conditions for the ERDF and ESF, and a financial plan.

Each jury makes recommendations on the selection of the ISUD to the Land’s Inter-ministerial Working Group for the Social City (IntermAG).

The NRW Land interministerial working group (IntermAG)
On the basis of the recommendations of the regional juries, the NRW Land Inter-ministerial Working Group for the Social City (IntermAG) takes formal decisions on the adoption of the ISUD and makes recommendations on which ISUD-projects should receive Land domestic and ERDF/ESF funding. The city authorities are informed of these results. Although the decision of the IntermAG provides the basis for the use of national and EU funds, in order to draw down funding for specific projects, the city authorities must submit formal applications to the Bezirksregierungen (for ERDF/ESF funding) and other Land ministries (for any domestic Land co-financing).

NRW Land ministries in charge of domestic funding streams
In addition to ERDF/ESF funding, city authorities can apply for co-financing from existing domestic (Land and federal) funding streams (e.g. for social inclusion, environmental improvements, training, urban regeneration). In order to access this domestic co-financing, the city authorities must submit formal project applications through the usual channels to the relevant Land ministries after the ISUD has been approved. The Land ministries decide whether to allocate domestic co-financing, depending on the domestic rules and the availability of Land budgetary resources.

Support and advice for the local authorities
In the context of the ESF OP, the ESF managing authority has set up an additional body (alongside the Bezirksregierungen) to advise and support the city authorities in developing the social dimensions of their strategies and projects. This is the Office for the Socio-spatial-oriented Fight against Poverty (Fachstelle für sozialraumorientierte Armutsbekämpfung, FSA) in the NRW Employment Project (NRW ProjektArbeit).

Advantages
The main advantages of this framework are that:
• It ensures that city authorities have the right to develop their own strategies and projects, drawing on local knowledge, capacities and past experience (an approach which is in any case in line with domestic constitutional and administrative arrangements).
• At the same time, it limits the exposure of city authorities to the administrative burdens associated with EU Fund management and implementation.
• It fits domestic structures e.g. by ensuring that bodies responsible for formal decisions on project selection (Land ministries and Bezirksregierungen) are also responsible in a domestic context, for making formal decisions on the allocation of domestic Land funding.
• It allows the Land authorities (which have the relevant experience and capacity for these tasks) to retain overall control of the ERDF and ESF OPs in terms of global financial management, implementation, control, and monitoring.

Institutional challenges
There were a number of important challenges in developing this architecture, particularly relating to the question of which entities should act as intermediate bodies and how tasks should be divided between the intermediate bodies and the managing authorities – in such a way as to meet the requirements of the European Commission and would also be practical, legally sound and appropriate from the viewpoint of domestic law.

NRW Land was keen to reduce the number of intermediate bodies in 2014-20, with a view to ensuring:
• A stronger strategic focus at OP level, with less fragmentation across delivery bodies with varying goals and priorities;
• A clearer definition of responsibilities between managing authority and intermediate bodies;
• More transparent and streamlined structures for applicants, with a single intermediate body now responsible for all phases of particular calls (whereas in the past one entity might be responsible for the application phase and a separate entity for the implementation phase);
• A consistently high-quality administrative approach across all components of the OP, with all staff being up-to-date in all procedures and technical tasks, which in turn allows more tasks to be delegated from the managing authority to the intermediate bodies.
This endeavor was in line with a statement by former EU Commissioner Hahn, calling for a reduction in the number of intermediate bodies – but contrary to the view of European Commission staff during the OP negotiations that (NRW’s c. 60) city authorities should be intermediate bodies for the ISUD. In the end, the number of intermediate bodies for the NRW ERDF OP has fallen from 108 in 2007-13 to seven major bodies (including the five Bezirksregierungen plus two small bodies in 2014-20).

Moreover, most domestic co-funding for the ISUD is provided by different funding streams managed by different Land ministries. If the city authorities were intermediate bodies, they would need to have the power to make formal decisions on the allocation of this domestic co-funding would be used – but, under domestic law, city authorities do not have the power to decide how the Land budget should be used – i.e. only Land authorities can do this.

In order to justify the two-tier approach adopted for the intermediate bodies to the European Commission, the ERDF OP managing authority had to reach a formal legal agreement with each local authority on the division of labor, and this had to be done before the urban development strategies could be developed. This work is seen to have been burdensome and not useful from either a Land or local authority perspective. Moreover, there are concerns that the local authorities could be subject to audit visits by the ERDF OP Audit Authority, the European Commission or the European Court of Auditors.

**Challenges in terms of content**

A further problem for the ISUD has been the EU requirement that every ISUD must cover two Thematic Objectives and that these must be selected at the level of the OPs as a whole. The ERDF managing authority would have preferred to allow greater flexibility to the city authorities (e.g. to select one or another Thematic Objective). The two Thematic Objectives selected in NRW are TO9 Social inclusion and TO6 Environment. The difficulty is that the main issue facing city authorities in terms of urban development is social exclusion – whereas other funding sources and actors address environmental issues.

**Monitoring and Evaluation**

**Managing authority supervision of the city authorities**

The managing authorities are in charge of core management tasks at the level of the overall OP, including OP oversight, monitoring and evaluation, including checking the city authority’s project selection procedures and results. The managing authorities have delegated day-to-day project monitoring and control tasks to the Bezirksregierungen, whereas the managing authorities focus on quality control, sample project checks, and cases where there are conflicts.

**Procedures for delegating tasks to the city authorities**

The ERDF managing authority has signed a formal agreement with each city authority on the division of responsibilities in relation to project selection in the context of the ISUD. This agreement states that tasks relating to financial commitments, control and payments will be undertaken by an Intermediate Body appointed by the Managing Authority.

**Finland**

**Background**

**Partnership Agreement**

The Partnership Agreement notes that sustainable urban development in Finland is implemented on a basis of an ITI-strategy developed by a network of the six largest cities. Additional integrated investment strategies based on the needs of regional actors may be developed in the course of the program period. The ITI strategy has three priorities: open innovation platforms, open data and interfaces, and open participation. The Partnership Agreement notes that both ERDF and ESF measures are used in the delivery of these priorities. It also notes that ERDF and ESF measures are dealt jointly at the management group of the strategy and that the Intermediate Bodies of the program work closely in the monitoring of the objectives of the strategy.

The developers and implementers of the ITI strategy entitled as The Six City Strategy – open and smart services (‘avaimet ja dijkhaat palvelut) are the largest cities in Finland, namely Helsinki, Espoo, Vantaa, Oulu, Tampere, and Turku. The ITI strategy is nationally very significant, as the participating cities represent 30 percent of the total population of Finland. The cities are also centers for Finnish research, development, and innovation activities. The cities share a common challenge of developing better services, promoting competitiveness as well as open and sustainable operating models. The primary aim of the strategy is to strengthen Finland’s competitiveness by using the largest cities as the development and testing environments for new innovations. This in turn will strengthen competitiveness in Finland as a whole. The resulting new operating models are then available for use by all cities and municipalities in Finland.

The indicative allocations in the partnership agreement are set out in the table below.

**TABLE 15.**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Indicative funding allocations for SUD in Finland</th>
<th>Share of the fund</th>
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<tbody>
<tr>
<td>ERDF</td>
<td>39,460,000</td>
<td>5 percent</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>39,460,000</td>
<td>5 percent</td>
</tr>
</tbody>
</table>

Note: The regions propose the share of ESF for the implementation of the strategy. ESF is not earmarked in advance.

**Operational Programme**

The theme of the SUD in Finland is ‘the creation and utilization of the latest information and knowledge’ in a way that supports the renewal of the cities. The theme is in line with Priority 2 creation and utilization of latest information and knowledge of the OP and entails all its investment priorities. In addition, the ITI strategy entails ESF measures in line with Priority 3 of the OP ‘employment and mobility of labor force’ and Priority 4 ‘education, skilled workforce and lifelong learning’.
The strategy will be led by a management group consisting of one representative of each participating city. The management group is the highest decision-making body for the strategy, where project proposals are decided following the preparation undertaken by the steering group. The steering group is composed of representatives of the cities and funders, as well as other experts. The management group selects the implemented ERDF projects through an open and transparent process (i.e., task of deciding whether the project is appropriate) and the Intermediate Body makes the technical funding decision (i.e., whether it is legal and in line with the programme). With respect to ESF projects, projects undergo a normal process, where the Intermediate Body (ELY-center of Häme) performs both of these functions. The regions can decide themselves on the ESF funding and it is not separately earmarked in the programme.

Characteristics of the Urban Development Strategy

The starting point for the ITI was the demand to earmark five percent of Structural Funds for the purposes of sustainable urban development. The process started with the Ministry of Employment and the Economy requesting joint proposals from the city networks concerning sustainable urban development. The proposals were developed and submitted by large cities at the same time with their domestic growth agreements. The idea behind this joint process was to strengthen the links between domestic regional and urban policy and the EU Cohesion policy. The Ministry received two proposals, and the ITI strategy for the six largest cities (i.e., Helsinki, Espoo, Vantaa, Oulu, Tampere, and Turku) was selected due to its innovativeness as well as its alignment with the OP’s objectives. In practice, the ITI is a ‘small’ tool which is used (amongst all the other different tools) to implement the domestic growth agreements. Overall, the development process was done closely in cooperation with the Ministry and the cities and as such could be described as entailing both bottom-up and top-down approaches.

Although the six largest cities have networked in the past, this has been done primarily for lobbying purposes rather than in a formalized manner to pursue economic development activities. The ITI development process enabled the six cities for the first time to try to understand what they can do together, and a decision was made on the three different themes (i.e., open data, open innovation platforms, open participation). The ITI has been a tool for the cities to become more involved in development activities (due to the earmarking and the delegation of responsibilities to the cities).

The European Commission has been interested and somewhat cautious concerning the approach of linking six cities into a single ITI (rather than ITI being led by a single city). The Commission has pointed out that the strategy has not necessarily clearly addressed the joint challenges that these six cities have. The view in Finland is that the six cities have their specific challenges, but that overall the cities have also similarities and as such there is potential to deliver the ITI strategy together. Finland has for long time adopted an approach, which is based on potentials rather than explicitly addressing specific problems. Discussions with the Commission have also been held concerning the different themes promoted by Article 7, and specifically on whether all strategies together. The mission of the ITI strategy is better services, competitiveness and sustainable cities through an open approach. The primary aim of the strategy is to strengthen the competitiveness in Finland by using the largest cities as the development and testing grounds for new innovations. The aim is to create new knowledge, business and jobs. The Finnish ITI strategy was not based or adapted from a pre-existing strategy. The six cities have been cooperating (mostly lobbying) also prior to the ITI strategy, but this cooperation was done without a formal strategy in place. Therefore, while the composition of the cities is old, the strategy is new.

The strategy aims to improve the services provided in the cities, improve competitiveness of business and enable a broader involvement in the development activities. In addition, the accessibility of services, impact and productivity are improved through e.g., developing network services. When the objectives are reached, cities can respond to changes of the future and seize the opportunities. The city services are developed through three key priorities: open innovation platforms, open data and interfaces, and open participation. The development activities pursued under these priorities are underlined by the aim towards a sense of community, openness and accessibility.

The strategy notes that:

- The six cities represent 30 percent of the total population in Finland.
- The six cities are the centers for R&D&I activities.
- The use of the six cities as development ground for innovations reinforces Finland’s competitiveness, as they represent large enough area in the global context.

In terms of funding, five percent of ERDF has been earmarked for the strategy, representing around 80 million euros during the implementation of the strategy. In practice, funding is awarded on the basis of projects. The cities need to contribute 33 percent to the project funding. ESF funding is decided independently by the regions and is not earmarked in advance. This funding is decided at the time the regional management committees in the regions meet. With respect to the different themes, the funding is divided as follows: open innovation platforms (€ 4.5 million euros); open data (€ 4.5 million euros); and open participation (€ 15 million euros with most funding coming from ESF). Funding for the 6AIKA office, which is responsible for the operative delivery of the strategy, represents a total of 750,000 euros per annum. This is implemented as an ERDF project during May 16, 2014—April 30, 2017.

Institutional Framework

The institutional structure is formalized in a Ministerial decision which is a brief document outlining how the Article 7 is implemented in Finland. The Commission had also provided guidance regarding the procedures for the supervision (in terms of contracts, etc.), but this was viewed to have been done too late, as the institutional structures were already in place.

The ITI strategy is led by a management group, which has one representative from each participating city (directors in charge of economic or innovation issues or urban development). The management group, which has been voluntarily set up by the cities, is the highest decision-making body in the delivery of the strategy. The project proposals are presented to the management group.
ensures that the strategy’s national implementation progresses in accordance with the decisions the management and implementation of the strategy. It is the key node for the strategy, which the Six City strategy office is responsible for the operational aspects, namely by supporting the decision on the basis of the decision of the management group.16

The management group, which is responsible for the implementation of the strategy, includes representatives of the cities, experts and representatives of the Ministry of Employment and the Economy and Helsinki-Uusimaa region. The steering group scores the projects in accordance with the selection criteria of OP and the call. The steering group proposes projects to the management group for decision-making, which needs to be done unanimously. After this the project proposals are submitted to the Helsinki-Uusimaa region, and the steering group continues the coordination and monitoring of the strategy together with the Intermediate Body (i.e. regional council and ELY center). The responsibilities of the management group include:15

- Decision on objectives and budgets;
- Naming of the representatives of the steering group;
- Decision on the specific selection criteria for projects;
- Decision on the content of project calls;
- Decision on the order of priority for the ERDF projects, and their presentation to the Helsinki-Uusimaa region;
- Opinion on ESF projects which have been proposed by the funder (e.g. ELY Centre in Häme) and their presentation to the Helsinki-Uusimaa region; and
- Monitoring of the implementation of the strategy and the projects.

The steering group, which is responsible for the implementation of the strategy, includes representatives of the cities, experts and representatives of the Ministry of Employment and the Economy and Helsinki-Uusimaa region. The steering group scores the projects in accordance with the selection criteria of OP and the call. The steering group proposes projects to the management group for decision-making, which needs to be done unanimously. After this the project proposals are submitted to the Helsinki-Uusimaa region, which is responsible for making the technical funding decision on the basis of the decision of the management group.16

With respect to ESF projects, projects are processed in accordance with the normal project procedures where the Intermediate Body takes all decisions (i.e. ELY center in Häme). In the case of ESF, the management group simply recommends which projects to fund, but the ELY-center in Häme takes the final decision (which can differ from the recommendation of the management group).16 The steering group is responsible for:

- Preparing issues for the management group and implementing their decisions;
- Dealing with project calls and evaluation processes;
- Monitoring the implementation of projects on the basis of reports delivered by the projects;
- Steering the work of Six City -strategy office; and
- Reporting the implementation of the strategy to the management group.

The Six City strategy office is responsible for the operational aspects, namely by supporting the management and implementation of the strategy. It is the key node for the strategy, which ensures that the strategy’s national implementation progresses in accordance with the decisions of the management group and steering of the steering group. The Six City strategy office will be implemented as an ERDF project. The Six City strategy office is responsible for:18

- Ensuring that the implementation and cooperation of the strategy and the projects progresses according to agreement;
- Acting as the promoter for project idea generation, project preparation and cooperation;
- Project calls and evaluation processes together with steering group;
- Acting as the content expert;
- Supporting city specific coordination;
- Supporting the implementation and administration of projects, the adoption and dissemination of results (e.g. tools and practices);
- Building and maintaining national and international networks;
- Developing and monitoring the indicators of the strategy and reporting of results;
- Monitoring the implementation of funding;
- Reporting the Six City office project as well as the payments to project partners;
- The Six City strategy joint communication and supporting the communication of the projects;
- Implementing the joint workshops and events of the strategy, and
- Preparing for the meetings and acting as the contact person for the funders and the Ministry of Employment and the Economy.

Within the individual cities, the ITI activities are coordinated between the representative of the management group, steering group and the coordinator for the Six City office. Each city is responsible for organizing the activities in accordance to their specific organizational models.19

The programs are delivered by public servants. In the context of ERDF, the existing Intermediate Body, namely Helsinki-Uusimaa region is responsible for making the technical funding decision on the basis of the decision of the management group. With respect to ESF projects, projects are processed in accordance with the normal project procedures where the Intermediate Body takes all decisions (i.e. ELY-center in Häme). Hence, in the case of ESF, the IB has a much more independent role in the decision-making process.

The division of roles is viewed to be clearly set out, with the cities having the key responsibility concerning the substance and Intermediate Bodies concerning the eligibility and alignment with the OP. By using this structure the cities are also not overburdened by project administration, whilst being able to decide on projects (at least in the context of ERDF). While in many countries, the delegation of responsibilities to the city level has been an issue (coined as delephobia) due to the lack of competences, this has not been the case in Finland. According to the MA, the regional councils have been positive concerning the delegation of responsibilities to the city level. In addition, the cities have experience in development, as well as necessary capacities and knowledge.

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16 6Aika – Avoimet ja älykkäät palvelut – strategia, June 9, 2014
17 Ibid
18 6Aika – Avoimet ja älykkäät palvelut – strategia, June 9, 2014
19 6Aika – Avoimet ja älykkäät palvelut – strategia, June 9, 2014
When the institutional structure was developed, there were times when cooperation was not optimal, as at times cities tended to compete rather than cooperate together. However, key people pushing the project further helped in getting the institutional architecture in place. Discussions were held concerning the IB status. A decision was made to make Helsinki-Uusimaa region the IB for the strategy, as it was already an existing IB in the Structural Funds context and this way the cities would not have to deal with all the project implementation aspects.

Monitoring and evaluation

Each project can decide its own governance model. The key applicant is responsible for administering the project in accordance with the funding guidance of ERDF or ESF. Responsibility and tasks with respect to the content can be agreed during the planning phase of the project. The ITI management group is responsible for monitoring and evaluating the implementation of the project as part of the monitoring of the ITI strategy as a whole. A set of specific indicators has been developed (see the table below). More generally, the same rules and guidance apply to ITI projects as to other ERDF or ESF funded projects. The only key difference is related to the decision-making process and that the cities can themselves define their partners, project content and choose their project implementers. Projects are implemented in phases, so that the solutions resulting from these projects can be taken into wider production. All projects will include actors from at least two participating cities. The different solutions that have been viewed as successful can then be copied in other cities. Good practices can be further developed after the pilot phase with the help of ERDF20.

### TABLE 16

<table>
<thead>
<tr>
<th>Priority</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Innovation platforms</td>
<td>The number of practical pilots, the number of users of the pilots, the number of participating firms and the amount of R&amp;D&amp;I investments, the number of research projects and their age.</td>
</tr>
<tr>
<td>Innovative procurement</td>
<td>The number of ideas and challenges, the number of participating firms, the number of prototypes.</td>
</tr>
<tr>
<td>Open data and interface</td>
<td>The amount of open data, the number of new applications, solutions in different cities.</td>
</tr>
<tr>
<td>Snapshot of mobility in cities</td>
<td>Firms implementing and utilizing the snapshot, new solutions resulting from the services, flow of traffic and the environmental implications.</td>
</tr>
<tr>
<td>Multi-channeled municipal services (and their user-led development)</td>
<td>Number of firms developing services, the number of firms and other actors participating in the service design challenges, the number of under 29-year-olds and over 54-year-olds reached through the services, reaching specific target groups such as immigrants.</td>
</tr>
</tbody>
</table>

The strategy development phase was based predominantly on partnerships with the cities leading the process but also inviting participation from the central level. During the preparation process, a decision was made (in accordance with the Article 7) that the cities would have the decision-making responsibility concerning which projects would receive funding (this is done in the management group), while the MA is involved in the steering group. The Ministry does not only monitor progress as part of its participation in the steering group but also provides help in terms of strengthening and bringing the national perspective into the discussions. Should there be any major changes to the strategy, this would require approval by the Ministry of Employment and the Economy.

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### England

#### Background

**Partnership Agreement**

England has significant variation in terms of regional socioeconomic indicators such as GDP per capita, expenditure on R&D and levels of deprivation. The PA recognizes this variation and all Thematic Objectives (TOs) with the exception of TO11 (Enhancing institutional capacity) will receive ESIF support. The ERDF will support TOs 1-7 and also TO 9 (Promoting social inclusion).

The UK Government - particularly the Department for Communities and Local Government (DCLG), the MA for the England ERDF OP - has been keen to prioritize the role of local level actors in the delivery of integrated funds for SUD. This is seen as the best means of ensuring integrated interventions in order to address the complexity of needs. Central to ensuring the integrated use of ESI Funds are the Local Enterprise Partnerships (LEPs): partnerships between local businesses and local government and other key players such as universities, the voluntary and community sector and social and environmental partners. To take a strategic view on how best to deliver growth and jobs in their economic areas (OP, p.5). Each Core City LEP must develop its own Sustainable Urban Development Strategy (as per Art. 7 of the ERDF Regulation) before it can implement an ITI.

ESI Funds supporting SUD will be delivered through ITIs in the core cities, in accordance with their Sustainable Urban Development Strategies.21 It has already been determined that ITI delivering SUD will be delivered in London and the eight core cities (Birmingham, Bristol, Leeds, Liverpool, Nottingham Manchester, Newcastle, Sheffield). The main principle underlying spatial targeting is that functional economic areas, rather than historically fixed administrative boundaries, should be considered. This aligns with the prominent role of the LEPs, each of which covers a functional economic area. Urban authorities responsible for urban areas with a population in excess of 600,000 are eligible, i.e. all the English core cities.

There are no other fixed criteria for identifying the urban areas where integrated actions for SUD are to be implemented. Each Sustainable Urban Development Strategy must include a robust territorial and demographic analysis setting out a Strengths Weaknesses Opportunities and Threats analysis of the urban area/year region” which will highlight urban areas with particular development needs (OP, p.246).

The maximum amount available to the Core City Regions for SUD is outlined in the table below. London will also carry out integrated actions for sustainable urban development and so contribute towards the 5% included in the ERDF Regulation. London’s contribution will be 204.893.693 million euros.

21 Although CLLD will be delivered in urban areas, it will not contribute to SUD. CLLD will only be used in areas with 10,000-115,000 inhabitants (with some exceptions possible) whereas SUD will be delivered in core city urban areas of >600,000 people.
Operational Programmes

ITIs will not be delivered through a dedicated Priority Axis in England, but through individual Sustainable Urban Development Strategies in each of the relevant cities. Each Sustainable Urban Development Strategy is an individual strategic framework tailored to the urban area in question, though it must link to the Priority Axes and TOs in the Operational Programme. Characteristics are as follows (Draft OP, p.246):

- Assess and approve Sustainable Urban Development Strategies prepared by designated Urban Authorities;
- Assess the competence and capacity of the designated Urban Authorities to implement delegated tasks and monitor this for the duration of the delegation;
- Agree in writing the terms of the Integrated Territorial Investment and Sustainable Urban Development delegation with each designated Urban Authority;
- Undertake all tasks not delegated to the designated Urban Authorities.

Urban Authorities in the English Core Cities (Birmingham, Bristol, Leeds, Liverpool, Nottingham, Manchester, Newcastle, Sheffield) were established as IBs and are responsible for the selection of operations. London will also be designated as an IB with a broader range of tasks delegated in line with Article 123 (7) reflecting its relative size and existing Intermediate Body status.

The indicative amount of the European Regional Development Fund support for sustainable urban development integrated actions is set out in the table below. ITI supporting SUD in England will be funded by the ERDF only. However, SUD Strategies must “describe how proposed activity will be complemented by European Social Fund provision where appropriate” (England ERDF OP, p.258).

**TABLE 18.** ERDF allocations for SUD in England

<table>
<thead>
<tr>
<th>Fund</th>
<th>Indicative amount of the European Regional Development Fund support for sustainable urban integrated actions</th>
<th>Share of allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total European Regional Development Fund</td>
<td>314,395,183</td>
<td>8.67%</td>
</tr>
<tr>
<td>Total European Social Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ERDF and ESF</td>
<td>314,395,183</td>
<td></td>
</tr>
</tbody>
</table>

**Domestic City Deals**

The design and implementation of SUD has taken place against the background of emerging City Deals. City Deals are “bespoke packages of funding and decision-making powers”22. The purpose of this approach was to facilitate place-based economic development, taking into account endogenous growth factors and to underpin the UK Government’s devolution agenda.23

Regarding the latter, City Deals were to allow local areas to:

- Take charge and responsibility of decisions that affect their area;
- Do what they think is best to help businesses grow;
- Create economic growth; and
- Decide how public money should be spent (HM Government 2013).

The City Deals offer an innovative approach to establish a program of operations tailored to the needs of the urban areas whilst aligned to national urban and economic policy objectives. In Scotland the City Deal approach has been adopted slightly differently with a stronger focus on inter jurisdictional partnerships involving multiple municipalities as well as contributions from the Scottish Government.24

Institutional framework

For the eight Core Cities, the MA (DCLG) has delegated responsibility for project selection (project selection only at this stage) to the UAs. These ‘Urban Authorities’ themselves are not one discrete organization.

The delivery of SUD in England is based heavily on the idea of supporting functional economic areas i.e. the LEP partnership territories. Each city region, in which SUD will be delivered, falls within a LEP-led functional economic area. The LEPs will be heavily involved in ESI Funds delivery over 2014-2020.

Further to this, each LEP has been required to set up a Local ESI Funds Committee ‘chaired by a local partner who along with other members drawn from business, public environment, voluntary and civil society sectors, will be advocates for the opportunities and impact of the ESI Funds’ (England ERDF OP, p.267). These Local ESI Funds Committees operate under and report directly to the England ERDF OP Monitoring Committee known as the Growth Programme Board. They are in essence the main link between the Growth Programme Board at national (i.e. England) level and the LEPs involved in local delivery and their main function is project monitoring and reporting.

However, the LEPs themselves (and by extension the Local ESIF Committees) are not constituted legal bodies. So, the LEPs themselves could not be legally designated as IBs for the Cohesion Policy (and, by extension, the ITI) delivery. Therefore, the UAs are in practice made up of members of the relevant Unitary Authorities (i.e. the City or Borough Councils) with individuals from the LEP-based Local ESIF Committees also present. The composition of these UAs differs between each of the eight core cities. Not least because the LEP areas don’t necessarily coincide with the boundaries of the metropolitan boroughs. For example, the N2N2 LEP covers Derby, Derbyshire, Nottingham and Nottinghamshire, i.e. two cities.

London is different. The Greater London Authority – a strategic regional authority with devolved powers over economic development – is the designated IB and has extended responsibilities for SUD over and above project selection.

Since the unitary authorities (i.e. City councils) are central to the makeup of the UAs, payroll public servants have the main role in delivery supported by the (mostly voluntary) members of the LEPs. The GLA is made up of salaried public servants. All of the UAs – because of the central involvement of City Councils – have extensive experience in developing economic and spatial growth strategies for their respective cities over the years. The SUD Strategies currently in development will draw heavily upon and align with pre-existing growth, development and infrastructure plans. Although the LEPs themselves are newly formed, many LEP members were previously involved in the Regional Development Agencies before they were abolished in 2012 so they are also considered to be experienced.

The main advantage of the England approach is that UA members are very familiar with the needs of the urban areas which receive SUD interventions. There is also some top-down support; there is a cross-Whitehall team on Cities and Local Growth with representation from BIS and DCLG. Also, the integration of actions (i.e. ITI supporting multiple Thematic Objectives) is likely to be better because of the range of actors which make up the UAs. External consultants are not being used by the UAs, because they already have the capacity and experience to draft their SUD Strategies. Also, no financial allocation has been made either from ESI Funds or national sources to support the use of consultants.

One challenge was and has been agreeing the delivery arrangements with the Commission, who wanted DCLG to better clarify the division of responsibilities between the MA and the Local ESI Funds Committees during OP programming. Therefore, the OP now explicitly clarifies that the Local ESI Funds Committees will not be responsible for any tasks set out in EU regulations for which Managing Authorities are responsible in relation to management of the ESI Funds’ (England ERDF OP, p.267) so as to avoid any confusion about overlap in responsibilities. Another challenge is that of risk management given that these arrangements are new and untested. In the future a potential challenge is the changing situation with regard to the devolution of power to cities under the City Deal agreements.

Monitoring and evaluation

For the eight Core Cities, the project selection function is the main function they have been assigned at this point in time. DCLG is currently conducting a review of this with a view to expanding these functions in the future. Depending in part on how the devolution of powers to City Regions progresses.

With regard to the Greater London Authority, the OP states only that it will have “a wide range of tasks delegated to it” (p.268).

The main link between the MA and the UAs is provided by the Growth Program Board connection to the Local ESI Funds Committees, which as mentioned are the main organizations responsible for ‘connecting’ the City-level activities to DCLG. However, the MA is explicitly aiming not to ‘supervise’ the UAs; DCLG’s main focus is on overseeing compliance, not on micro-managing projects though it will of course directly intervene if/where there are errors or difficulties.

One of the key challenges of these organizational arrangements is the fact that they are new and untested. The novelty of the planned approach creates risk, and the MA perceives much ambiguity in the guidelines and provisions governing the use of ITI for SUD. The decentralization of responsibility to the IBs means greater challenges in coordination across the nine cities because they will progress at different rates. The Growth Program Board will be key to monitoring progress.
ORGANIZATIONAL MODELS FOR INTERJURISDICTIONAL AGREEMENTS IN ROMANIA
There are several organizational models and tools used by EU countries to respond to interjurisdictional needs. Figure 24 below outlines all these organizational models and how extensively they were used by each EU country. Romania used three major tools: 1) dedicated axis for SUD; 2) ITI for a non-SUD area; and 3) CLLD. In the following paragraphs we discuss these three models.

**FIGURE 24.**
Organizational models for interjurisdictional agreement in EU countries

Dedicated axis for SUD

Romania decided to implement the SUD for the 2014-2020 Programming Period through a dedicated axis – Priority Axis 4 of the Regional Operational Programme. The beneficiaries are
39 urban areas – all county capital, with the exception of Tulcea, which has access to dedicated funds through the Danube Delta ITI. A total of around 1.3 billion Euro was pre-allocated to these 39 urban areas. The table below includes the preliminary allocations by urban area.

### TABLE 19.
Allocation of SUD funds by urban area in Romania

<table>
<thead>
<tr>
<th>Region</th>
<th>County Residence</th>
<th>Total Regional Allocation (million euros)</th>
<th>50% Regional Allocation (million euros)</th>
<th>I. Regional Allocation July 2013 (no ppl.)</th>
<th>Population July 2013 (no. ppl.)</th>
<th>Weighted Population (%)</th>
<th>II. Allocation per county residence (million euros)</th>
<th>Total Allocation per county residence (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North - East</td>
<td>BACĂU</td>
<td>18.6416</td>
<td>195,022</td>
<td>19.88%</td>
<td>22,235</td>
<td>42.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.6416</td>
<td>124,143</td>
<td>12.65%</td>
<td>14,190</td>
<td>32.906</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.6417</td>
<td>348,303</td>
<td>35.50%</td>
<td>37,067</td>
<td>83.494</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PIATRA NEAMȚ</td>
<td>18.6417</td>
<td>117,219</td>
<td>11.95%</td>
<td>13,361</td>
<td>30.078</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>VASLUI</td>
<td>18.6417</td>
<td>79,847</td>
<td>8.14%</td>
<td>9,104</td>
<td>27.746</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suceava</td>
<td>18.6417</td>
<td>196,569</td>
<td>11.88%</td>
<td>13,287</td>
<td>31.295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total North - East</td>
<td></td>
<td>111,850</td>
<td>981,103</td>
<td>100.00%</td>
<td>111,850</td>
<td>223,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South - East</td>
<td>BRĂILA</td>
<td>18.9850</td>
<td>216,348</td>
<td>20.08%</td>
<td>19,061</td>
<td>38.049</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.9850</td>
<td>138,201</td>
<td>12.82%</td>
<td>12,169</td>
<td>25.144</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.9850</td>
<td>320,477</td>
<td>29.73%</td>
<td>29,222</td>
<td>47.2062</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.9850</td>
<td>95,674</td>
<td>8.88%</td>
<td>8,424</td>
<td>21.744</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.9850</td>
<td>307,113</td>
<td>29.40%</td>
<td>27,041</td>
<td>45.029</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total South - East</td>
<td></td>
<td>94,9250</td>
<td>1,077,813</td>
<td>100.00%</td>
<td>94,9250</td>
<td>189,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3636</td>
<td>53,170</td>
<td>6.94%</td>
<td>6,978</td>
<td>21.346</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3636</td>
<td>78,777</td>
<td>10.29%</td>
<td>10,346</td>
<td>24.709</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3636</td>
<td>70,532</td>
<td>9.10%</td>
<td>9,262</td>
<td>23.628</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3635</td>
<td>178,135</td>
<td>23.26%</td>
<td>23,368</td>
<td>77.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3635</td>
<td>236,304</td>
<td>30.86%</td>
<td>31,028</td>
<td>45.397</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3636</td>
<td>53,676</td>
<td>7.01%</td>
<td>7,048</td>
<td>21.148</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.3636</td>
<td>95,203</td>
<td>12.43%</td>
<td>12,477</td>
<td>26.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total South Munténia</td>
<td></td>
<td>100,5450</td>
<td>765,797</td>
<td>100.00%</td>
<td>100,5450</td>
<td>201,090</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South - West Oltenia</td>
<td></td>
<td>15.2930</td>
<td>308,546</td>
<td>42.66%</td>
<td>32,600</td>
<td>47.913</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.2930</td>
<td>112,008</td>
<td>15.48%</td>
<td>11,838</td>
<td>27.129</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.2930</td>
<td>119,363</td>
<td>16.50%</td>
<td>12,616</td>
<td>27,909</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.2930</td>
<td>85,619</td>
<td>11.84%</td>
<td>9,053</td>
<td>24,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.2930</td>
<td>97,802</td>
<td>13.52%</td>
<td>10,338</td>
<td>25,631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total South - West Oltenia</td>
<td></td>
<td>76,4650</td>
<td>723,338</td>
<td>100.00%</td>
<td>76,4650</td>
<td>152,930</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: infogea.ro

To access these pre-allocated funds under Axis 4 of the ROP, the local administrations had to prepare Integrated Urban Development Strategies and Mobility Plans, and to identify a list of priority projects to be financed. The seven growth poles (Brașov, Cluj-Napoca, Constanța, Craiova, Iași, Ploiești, and Timișoara) had to focus on the strategy and mobility plan within the metropolitan area – in continuation of the ‘growth pole approach’ used for the 2007-2013 Programming Period. The other local administrations had the option to prepare the strategy for the territory of an existent metropolitan area, or for a functional urban area (if they did not have a metropolitan area established). The figure below indicates the active metropolitan areas, and the territory of an existent metropolitan area, or for a functional urban area (if they did not have a metropolitan area established). The figure below indicates the active metropolitan areas, and the territory of an existent metropolitan area, or for a functional urban area (if they did not have a metropolitan area established).
FIGURE 25.
Existential metropolitan areas and proposed functional urban areas of county capitals in Romania

Source: The World Bank
While in practice, local administrations had the option of developing interjurisdictional projects, suburban localities were not included among the list of potential beneficiaries, and funds were pre-allocated only for the core city. There were thus no incentives to undertake cross-jurisdictional interventions at this level. Moreover, available pre-allocated funds were relatively low (compared to allocations to growth poles and urban areas in other EU countries) as detailed in the table above.

With respect to the types of projects that could be financed with the pre-allocated funds under Axis 4 of the ROP, the 39 urban areas had a limited menu to choose from (see table below). These eligible activities obviously do not respond to the varied palette of needs Romanian cities have, and they are applied in a cookie-cutter fashion, regardless of the differing needs of the 39 urban areas. Typically, the needs of a city with 35,000 people are quite different from the needs of an urban area with 500,000 people.

### TABLE 20.

<table>
<thead>
<tr>
<th>Thematic Objective</th>
<th>Investment priority (in accordance with ERDF rules)</th>
<th>Eligible Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>TO 4 - Supporting the shift towards a low-carbon economy in all sectors</td>
<td>IP (e) - Sustainable urban mobility</td>
<td>Measures for reducing CO₂ emissions in urban areas (bike paths, acquisition of ecological/electrical public transport vehicles, etc.)</td>
</tr>
<tr>
<td>TO 6 - Preserving and protecting the environment and promoting resource efficiency</td>
<td>IP 6 (e) - Urban regeneration</td>
<td>Rehabilitation of brownfield sites.</td>
</tr>
<tr>
<td>TO 9 - Promoting social inclusion, combating poverty and any discrimination</td>
<td>IP 9 (b) - Integrated approaches for marginalized communities</td>
<td>Integrated measures for marginalized communities through facilities for educational, cultural, and recreational purposes; rehabilitation of small green areas, public spaces, squares, small urban streets, and utilities networks.</td>
</tr>
<tr>
<td>TO 10 - Investing in education, training and vocational training for skills and lifelong learning</td>
<td>IP 10 - Investments in education</td>
<td>Educational infrastructure (nurseries, kindergartens, technological schools, professional schools).</td>
</tr>
</tbody>
</table>

The bulk of the funding under Axis 4 is for Sustainable Urban Mobility measures and this is the topic that most eligible urban areas have focused on – particularly the acquisition of ecological/electrical buses and/or trams, and the development sustainable transport infrastructure (dedicated bus routes, bike paths, and pedestrian areas).

In terms of institutional set-up, two new types of entities are involved in the management of Axis 4 funds: the Urban Development Support Structure (UDSS) and the Urban Authority (UA). The UDSS has extended the responsibilities of the Growth Pole Coordinator Office (established to provide support to growth poles for the 2007-2013 Programming Period) to all eligible urban areas within the respective region. The UDSS sits under the Regional Development Agency, which is the Intermediary Body for the management of ROP funds in Romania. The UAs were created within each of the 39 eligible county capitals, with the task of identifying the priority projects to be financed under Axis 4 of the ROP.

In 2018, an additional axis was introduced in the ROP 2014-2020, Priority Axis 13, which provides financing on a competitive basis to urban areas with less than 100,000 people, which are not eligible for funding under Axis 4. The allocated budget for this axis is 200 million euros, with eligible activities including:
1) improving social, educational, and cultural-recreational services (e.g. the construction/extension/finialization/ modernization/rehabilitation/equipment of social centers, social canteens, social housing, educational infrastructure, cultural-recreational facilities);
2) improving urban spaces (construction/extension/modernization/rehabilitation of public roads, pedestrian areas, green areas, parks, public spaces, squares, video surveillance systems, public lighting systems, water and wastewater systems, Wi-Fi systems, urban furniture, small parking areas, demolishing of buildings that are not national patrimony). Interestingly, smaller urban areas have access to a wider menu of funding options (being more suited to their real needs) under Axis 13, than larger urban areas have under Axis 4.

### Non-SUD ITI

The Integrated Territorial Investments (ITI) tool allowed Romania, as any other EU Member State, to bundle funding from several priority axes of one or more Operational Programmes (OPs), to ensure the implementation of an integrated strategy for a specific territory. The key elements of an ITI program are:

- (a) a designated territory (functional area);
- (b) a related integrated territorial development strategy;
- (c) a package of prioritized actions (projects) to be implemented (an investment plan); and
- (d) governance arrangements to manage the implementation of the ITI program.

#### FIGURE 26.

Danube Delta ITI area
The Romanian Government decided to use the ITI tool for the Danube Delta Area, and allocated 13 billion euros to the ITI from various Operational Programmes (see Annex 3 for OPs and sums allocated), and for a varied array of interventions. The Romania-EU Partnership Agreement, in Chapter 3, describes the proposed ITI approach in Romania. In order to access ITI funding, an integrated strategy for sustainable development of the Danube Delta and the implementation through integrated territorial investments was prepared. The strategy was elaborated by the Ministry of Regional Development and Public Administration with EU funding (from the OP Technical Assistance 2007-2013) and with help from the World Bank.

Geographically, the ITI area includes the Danube Delta Biosphere Reserve (DDBR) and the surrounding areas: the Tulcea municipality, 3 cities (Babadag, Isaccea, and Sulina), 29 communes in Tulcea County, and four communes (Cerbu, Istria, Mhais Viteazu and Sâcele) within the Constanța County (southeast of Tulcea County and the DDBR).

In terms of interventions covered under the Danube Delta ITI, the spectrum is quite varied. The table below indicates all the individual OPs, and respective priority axes where dedicated funding has been made available for the ITI. Annex 6 provides a more detailed overview of the interventions possible. As can be seen, the bulk of eligible interventions focus on socio-economic aspects and not necessarily on environmental aspects. Moreover, an area with only 200,000 people has access to the same amount of pre-dedicated funding (13 billion Euro) and for a much wider array of eligible interventions, as 39 urban areas with a total population of around 8.9 million.

**TABLE 21.**
**OP Axes for which ITI allocations exist for Danube Delta region (2014 – 2020)**

<table>
<thead>
<tr>
<th>OP / Priority Axes</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Operational Programme (ROP)</strong></td>
<td></td>
</tr>
<tr>
<td>PA 2 - Improving small and medium enterprises' competitiveness</td>
<td>ERDF</td>
</tr>
<tr>
<td>PA 3 - Supporting the transition towards a low-carbon economy</td>
<td></td>
</tr>
<tr>
<td>PA 5 - Improving the urban environment and the sustainable conservation, protection and capitalization of cultural heritage</td>
<td></td>
</tr>
<tr>
<td>PA 6 - Improving road infrastructure of regional importance</td>
<td></td>
</tr>
<tr>
<td>PA 7 - Diversifying local economies through the sustainable development of tourism</td>
<td></td>
</tr>
<tr>
<td>PA 8 - Health and social infrastructure development</td>
<td></td>
</tr>
<tr>
<td>PA 10 - Improving educational infrastructure</td>
<td></td>
</tr>
<tr>
<td><strong>Administrative Capacity OP</strong></td>
<td></td>
</tr>
<tr>
<td>PA 1 - Effective public administration and legal systems</td>
<td>ESF</td>
</tr>
<tr>
<td>PA 2 - Accessible and transparent administration and legal systems</td>
<td></td>
</tr>
<tr>
<td><strong>Large Infrastructure OP</strong></td>
<td></td>
</tr>
<tr>
<td>PA 2 - Developing a quality, sustainable and efficient multimodal transport system</td>
<td>EERDF</td>
</tr>
<tr>
<td>PA 3 - Developing the environmental infrastructure in terms of efficient resource management</td>
<td>CF</td>
</tr>
<tr>
<td>PA 4 - Environmental protection through measures for the conservation of biodiversity, air quality monitoring and decontamination of historically polluted areas</td>
<td>ERDF</td>
</tr>
<tr>
<td>PA 5 - Promoting adaptation to climate change, risk prevention and management</td>
<td>CF</td>
</tr>
<tr>
<td>PA 7 - Promoting clean energy and energy efficiency in order to support a low-carbon economy</td>
<td>EFRD</td>
</tr>
</tbody>
</table>

The Danube Delta ITI Strategy has identified projects based on the local needs, and formulated the project portfolio under five pillars, out of which one focuses on the management capacity of the projects implementation. Projects proposed under Pillars I-IV are presented geographically in Annex 5.

Under Pillar I, ‘Protect the environment and natural resources’ projects have been proposed for better management of natural assets and risks which may have major impact on the ecosystem, projects organized in five sector areas dealing with (1) Biodiversity and ecosystem management; (2) Energy efficiency; (3) Climate changes; (4) Disaster risk management; (5) Pollution emergency.

Under Pillar II, ‘Improving the economy sector interventions’, projects underline the crucial role of tourism services, agriculture and fishery in the development of the local economy. Projects target (1) Nature based tourism; (2) Fishery and aquaculture; (3) Agriculture and rural development; (4) Culture based tourism.
Under Pillar III, “Ensuring connectivity,” projects focus on creating an efficient system of transport of persons, goods and ideas mentioning (1) Transport; (2) Information and communication technology. Under Pillar IV, “Providing public services”, projects have been proposed to increase the quality of life in the ITI project area with attention on (1) Water supply and sanitation and integrated water management; (2) Solid waste management; (3) Health; (4) Education; (5) Inclusion and social protection.

Under Pillar V, “Promotion of the efficiency, accessibility and sustainability”, proposed projects aim to increase the capacity for an efficient and sustainable implementation of the Strategy. Projects Public target the administration and program management.

To help with the implementation of the Danube Delta ITI Strategy, an Intercommunity development association was set up. The ADI ITI-DD is an association with legal personality under private law and with public utility status, established to implement the ITI mechanism in the Danube Delta ITI area. The Intercommunity development association brings together 38 territorial administrative units (ATU). The ADI-ITI DD in line with the provisions of the operational protocol signed by the Ministry of European Funds, the Ministry of Regional Development and Public Administration, and relevant Management Authorities, is tasked to organize, regulate, monitor, and coordinate, interventions from the Danube Delta ITI Strategy, jointly with the administrative-territorial units (ATU). Annex 4 provides the detailed organizational chart of the ADI ITI-DD.

**CLLD**

Regulation 1303/2013 of the European Parliament and of the European Council, sets out the framework for the implementation of the Community-Led Local Development (CLLD) approach. The CLLD is meant as an integrated tool, which can be used to respond to complex development issues, requiring the cooperation of several stakeholders from the public, non-governmental and private sector. To access CLLD funding relevant stakeholders have to form local action groups (LAGs) using the same approach used for the LEADER program in the 2007-2013 Programming Period. The process of LAG formation is described in the figure below.

The LAG once formed, has to prepare a CLLD strategy and submit it for eligibility check and final approval to the relevant intermediary bodies and managing authorities. According to Regulation 1303/2013, CLLD strategies have to include: “a coherent set of operations, the purpose of which is to meet local objectives and needs, and which contributes to achieving the Union strategy for smart, sustainable and inclusive growth, and which is designed and implemented by a local action group.”

CLLD funding is available for two types of LAGs in Romania: 1) marginalized communities in urban areas with more than 20,000 inhabitants; 2) rural areas and towns with under 20,000 inhabitants. In the first case, funding is available from the ERDF and the ESF through the ROP and the OP Human Capital. In the second case, funding is available from European Agricultural Fund for Rural Development (EAFRD) through the National Rural Development Program. There are also Fisheries Local Action Groups (FLAGs), implementing European Maritime and Fisheries Fund (EMFF) projects.

### FIGURE 27.

The process of LAG formation

<table>
<thead>
<tr>
<th>Expression of interest</th>
<th>Facilitation and support</th>
<th>LAG formation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local authority</strong></td>
<td><strong>Intermediate Bodies</strong></td>
<td></td>
</tr>
<tr>
<td>- Intermediate Bodies (RDAs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Private Sector</strong></td>
<td><strong>Marginalized area</strong></td>
<td></td>
</tr>
<tr>
<td>- Civil Society</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Neighboring area(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Local authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Public institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Private sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Civil society</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Marginalized community</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Neighboring communities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


For urban CLLDs the focus is usually on marginalized communities within an urban area, focusing on the reduction of the risk of poverty and exclusion, particularly among the Roma community. For rural CLLDs, the focus is usually on interjurisdictional cooperation, as well as cooperation with private sector representatives and NGOs, to respond to concrete local development challenges. The Ministry of Regional Development and Public Administration indicates that there are 22 urban LAGs (out of 49 strategies submitted), 239 rural LAGs and 14 FLAGs. Rural LAGs are almost exclusively formed from partnerships between two or more local administrations. Overall, 2821 rural and small urban localities are part of a LAG (see map below), indicating that interjurisdictional cooperation is possible even for local administrations with relatively lower administrative capacity.

From an institutional point of view, LAGs include three different operational levels:

- **The General Assembly**, comprising all LAG members;
- **The Steering Committee**, which is the decision body within the LAG and is elected by the General Assembly and
- **LAG staff**, in charge of the daily functioning and operations.

![Organizational Chart for ADI ITI-DD](image)
FIGURE 28.
Rural and small-town LAGs in Romania, for 2014-2020

ADVANTAGES AND DISADVANTAGES OF KEY ORGANIZATIONAL MODELS
Urban interjurisdictional agreements can draw on four main types of organizational models: 1) dedicated OPs; 2) dedicated priority axis under an OP; 3) ITIs; 4) CLLDs. The CLLD tool is designed primarily for small scale interventions, not requiring special arrangements or integrated approaches. As such, only the first three organizational models will be discussed here.

**Dedicated Operational Programme for urban/metropolitan areas**

Only Italy has used a dedicated urban Operational Programme for multiple urban areas. However, given the scale of urban development challenges in Romania, this may be a valid approach. Some of the advantages of this approach include:

- Clear focus on urban areas, rather than on urban areas and regions;
- Dedicated pot of money for urban areas;
- Possibility of greater thematic diversity;
- Possibility of having a more competitive approach, with groups of urban areas having to compete for dedicated funds under priority axes;
- Possibility of having dedicated priority axes for large projects of strategic importance for urban/metropolitan areas.
- Possibility to clearly link national urban priorities to the Operational Programme.

Some of the disadvantages include:

- A new OP may take some time to develop and therefore could delay implementation;
- There is less scope to combine funding with what is offered under other OPs;
- There will be a reduced funding and scope for the Regional Operational Programme.

**Dedicated priority axis under an Operational Programme**

This is the organizational model currently used by Romania, and other countries (e.g. Spain, Hungary). Some of the benefits of this model include:

- It is well-known, and an institutional framework is already in place for this type of approach;
- It lowers the administrative burden for national authorities;
- It is the simplest of all the organizational models.
Some of the shortcomings include:

- It provides less thematic diversity;
- It provides the same options for all urban areas, despite varying needs;
- It requires significant administrative burdens (e.g., IUDS, Mobility Plans, and Urban Authorities) for relatively small allocations;
- It significantly limits the types of interventions that can be undertaken;
- It reduces the visibility of urban development initiatives as they are subsumed in a program structure that lacks a clear identity.

**ITIs**

ITIs have been used extensively by countries like Poland and Czechia, and evidence so far indicates that the tool has been relatively successful. Some of the benefits of ITIs include:

- Possibility to access funding from all relevant OPs, including ERDF, ESF, CF, and potentially EAFRD;
- It allows for a higher level of thematic diversity, better integration of funding sources, and better response to urban needs;
- Potential for higher dedicated financing for urban areas;
- Increased devolution of responsibilities, creating local ownership;
- Decisions are taken much closer to citizens and relative stakeholders;
- It provides a strong identity for partnerships and strategies;
- It can foster cooperation across administrative boundaries, limiting fragmentation of EU funds, avoiding duplication of investments, and stimulating synergies and scale effects;
- Limits competition over EU funds between municipalities targeted by ITI, encouraging information exchange about investment plans, mutual learning, and increasing coordination of EU projects;
- Provides stability that facilitates long-term planning;
- Promotes metropolitan approach to strategic development;
- Facilitates administrative capacity building at the local level and increasing the quality of EU projects and investments.

Some of the shortcomings of ITIs include:

- Difficulty in deciding areas for which to use the ITI and high competition between areas to secure funding;
- Can lead to snowballing and politicization with more authorities attempting to secure ring-fenced funding packages;
- Requires adequate local capacity and a higher bureaucratic burden;
- May require more time in terms of developing the organizational set up when compared with other organizational models;
- May affect absorption, as there is little competition for funds;
- Lowers competitive drive and does not adequately reward high performers.
Strong metropolitan areas and urban agglomerations are a central ingredient to the performance of Romanian regions and the Romanian economy as a whole. A simple look at EuroStat data reveals that the best performing NUTS2 regions in the EU, both in terms of overall economic output and productivity, are those that have at least one strong and dynamic metropolitan area or urban agglomeration within them. Hence an economic and territorial development approach with a strong emphasis on urban development in Romania is expected to increase the country’s overall economic productivity, output, and performance. However, administrative regions do not always follow functional area boundaries, thus giving rise to the need for innovative approaches to govern across administrative jurisdictions.

In practice, this means that the national government should, through the development of a national urban policy framework, supported by appropriate fiscal and administrative tools, look for various ways of strengthening urban areas. EU funds, in particular those provided through ESIF, are a vital instrument in implementing such developments. Such an approach should follow the rationale of integrated sustainable urban development while recognizing the specific context in which Romania and each of the urban areas in Romania operates. Challenges such as the country’s relative peripheral geographical location are difficult to overcome. The figure below clearly shows that geographical location is one of the key drivers of economic growth, with the most productive NUTS2 regions in the EU being metropolitan regions/urban agglomeration, located in the core of Europe (i.e. at the crossroads of the continent’s major trade routes). Other high performing locations are large metropolitan areas, usually capital cities like Bucharest, Stockholm, or Helsinki.

While large urban areas in Romania perform much better than smaller towns or rural areas, they still have a way to go when it comes to catching up with similar urban areas in Western Europe. For example, they lack basic public infrastructure (e.g. metropolitan road network and public transport system, quality urban amenities and infrastructure) to adequately compete with their western peers.

When considering development policy options, governments have to find a way to balance COMPETITIVENESS and EQUITY. A country with strong growth, where a large share of the population and the territory is left behind, will sooner or later learn that such unbalanced growth

is unsustainable. Similarly, a country without growth engines to propel it forward will not be able to tackle long-term development challenges. Indicators show that Romania has managed to both improve competitiveness (it has one of the highest GDP growth rates in Europe and the world), while also ensuring equity (poverty has been steadily declining). However, few purposeful measures have been implemented to ensure that competitiveness is sustainable over the longterm. For example, over five million Romanians have left the country in recent years (the highest number of a non-conflict country and second only to Syria, globally) in search of a better life. A recent World Bank study on migration patterns\footnote{World Bank. 2017. Magnet Cities: Migration and Commuting in Romania.} indicates that the relative low quality of life is the major reason why Romanian chose to move – higher in preference than a better pay. More concretely, most Romanians want to live in (primarily) cities that are similar to those in the west of Europe.

EU funds are an important lever in terms of addressing some of these challenges. They provide a contribution to critical public investment infrastructure in urban areas that will allow Romanian cities to achieve sustainable growth goals. Increase the quality of life and increase its competitiveness. Thus, for the 2021-2027 Programming Period, it will be critical to develop a SUD approach that is able to more adequately respond to the needs of urban areas.

In order to achieve these ambitions, the SUD approach has to be strengthened along the following broad four pillars:

- More RESOURCES
- More DIVERSITY
- More FLEXIBILITY
- More DECENTRALIZATION

For each of these four pillars, the different options for using organizational models will be discussed. The focus will be squarely on organization models that respond to the needs of urban inter-jurisdictional agreements (e.g., metropolitan areas). While the Romanian Government may decide to focus only on core cities, with the SUD approach, as is the case for the 2014-2020 Programming Period, this option will not be considered here. The key options discussed here include:

1) Operational Programme for urban/metropolitan areas; 2) ITIs for metropolitan areas and urban agglomerations; 3) dedicated priority axis under an Operational Programme for urban areas.

Moreover, organizational models should ideally be tailored to the types of urban areas existent in Romania right now. Largely, these urban types include:

- Bucharest – the capital, and one of the major metropolises in Europe.
- Larger urban areas, with more than 200,000 people.
- Urban areas with less than 200,000 people.

More RESOURCES

Similar to other countries, Romania’s investment needs far exceed the available resources. The World Bank has prepared a summary table with investments needs by sector in Romania and has estimated the financing gap to be at least 83 billion euros. Determining how to prioritize these extensive needs with limited resources is a process that involves matching scientific evidence with political choices. If there is an evidence gap – as is often the case in Romania - there is a large risk that political decisions will be taken without a full understanding of the intended and unintended impact of investments.

A comprehensive national development strategy can provide a framework for evidence inputs in policy processes while also setting out political priorities. Romania currently does not have a comprehensive National Development Strategy, and no clear vision on the priority sectors for the country. Romania has a high number of sectoral strategies, but no common national development vision. In practice, the country draws on the supranational priorities defined by the European Commission, for the EU as a whole, but interpreting these in terms of national priorities can be challenging. There is a general consensus that without measures that strengthen the private sector, while promoting social inclusion and environmental sustainability, it is difficult to sustain long-term growth and development. At the same time, there are important knowledge and policy gaps in relation to urban areas which means that the balance between these different dimensions
are not well understood. For example, the critical role that cities play in a country’s development is largely ignored in Romania, and it is evidenced by the nearly complete lack of the “urban development dimension” in political programs, public policy papers, or national investment programs.

### TABLE 22

**Investment Needs by Sector in Romania (in million euros)**

<table>
<thead>
<tr>
<th>Priority Sector</th>
<th>Investment Needs (in million euros)</th>
<th>EU Funds allocations for 2014-2023</th>
<th>State / county / local budget allocations</th>
<th>Leans</th>
<th>PPPs</th>
<th>Financing Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways</td>
<td>€ 13,254</td>
<td>€ 1,742</td>
<td>€ 824</td>
<td>€ 2,935</td>
<td>€ 1,897</td>
<td>€ 5,856</td>
</tr>
<tr>
<td>Express Roads</td>
<td>€ 10,367</td>
<td>€ 586</td>
<td>€ 491</td>
<td>€ 772</td>
<td>-</td>
<td>€ 8,516</td>
</tr>
<tr>
<td>National Roads</td>
<td>€ 2,292</td>
<td>€ 445</td>
<td>€ 73</td>
<td>€ 268</td>
<td>-</td>
<td>€ 1,506</td>
</tr>
<tr>
<td>By-passes</td>
<td>€ 332</td>
<td>€ 181</td>
<td>€ 34</td>
<td>€ 117</td>
<td>-</td>
<td>€ 0</td>
</tr>
<tr>
<td>County Roads</td>
<td>€ 6,413</td>
<td>€ 946</td>
<td>€ 1,774</td>
<td>-</td>
<td>-</td>
<td>€ 3,693</td>
</tr>
<tr>
<td>Communal Roads</td>
<td>€ 4,728</td>
<td>€ 440</td>
<td>€ 3,428</td>
<td>-</td>
<td>-</td>
<td>€ 4,288</td>
</tr>
<tr>
<td>Railways</td>
<td>€ 14,382</td>
<td>€ 2,070</td>
<td>€ 1,626</td>
<td>-</td>
<td>-</td>
<td>€ 9,876</td>
</tr>
<tr>
<td>Bucharest Metro</td>
<td>€ 9,880</td>
<td>€ 683</td>
<td>€ 200</td>
<td>-</td>
<td>-</td>
<td>€ 8,997</td>
</tr>
<tr>
<td>Port Infrastructure</td>
<td>€ 3,381</td>
<td>€ 619</td>
<td>€ 486</td>
<td>-</td>
<td>-</td>
<td>€ 2,276</td>
</tr>
<tr>
<td>Airport Infrastructure</td>
<td>€ 1,421</td>
<td>€ 552</td>
<td>€ 434</td>
<td>-</td>
<td>-</td>
<td>€ 435</td>
</tr>
<tr>
<td>Multimodal Transport Hubs</td>
<td>€ 316</td>
<td>€ 70</td>
<td>€ 55</td>
<td>-</td>
<td>-</td>
<td>€ 191</td>
</tr>
<tr>
<td>Water and Wastewater</td>
<td>€ 23,804</td>
<td>€ 3,014</td>
<td>€ 2,880</td>
<td>€ 1,200</td>
<td>-</td>
<td>€ 16,710</td>
</tr>
<tr>
<td>Solid Waste Management</td>
<td>€ 352</td>
<td>€ 352</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 0</td>
</tr>
<tr>
<td>Codaster</td>
<td>€ 1,300</td>
<td>€ 313</td>
<td>€ 600</td>
<td>-</td>
<td>-</td>
<td>€ 387</td>
</tr>
<tr>
<td>Brownfields</td>
<td>€ 8,500</td>
<td>€ 338</td>
<td>€ 35</td>
<td>-</td>
<td>-</td>
<td>€ 8,127</td>
</tr>
<tr>
<td>Thermal Insulation</td>
<td>€ 5,300</td>
<td>€ 1,187</td>
<td>€ 1,006</td>
<td>€ 184</td>
<td>-</td>
<td>€ 2,923</td>
</tr>
<tr>
<td>District Heating</td>
<td>€ 1,000</td>
<td>€ 250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 750</td>
</tr>
<tr>
<td>Tourism Infrastructure</td>
<td>€ 650</td>
<td>€ 119</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 531</td>
</tr>
<tr>
<td>Seismic Risk Retrofitting</td>
<td>€ 180</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 180</td>
</tr>
<tr>
<td>Public / Social Housing</td>
<td>€ 4,500</td>
<td>€ 25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 4,475</td>
</tr>
<tr>
<td>Historic Districts</td>
<td>€ 1,125</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 1,125</td>
</tr>
<tr>
<td>Social Infrastructure in Rural Areas (education, health, sport, cultural)</td>
<td>€ 3,705</td>
<td>€ 522</td>
<td>€ 788</td>
<td>-</td>
<td>-</td>
<td>€ 2,395</td>
</tr>
<tr>
<td>Integrated Investment Plan (including mobility plan) for Bucharest</td>
<td>€ 5,654</td>
<td>€ 500</td>
<td>€ 5,154</td>
<td>-</td>
<td>-</td>
<td>€ 0</td>
</tr>
<tr>
<td>Integrated Investment Programs (including mobility plans) for County Capitals</td>
<td>€ 5,977</td>
<td>€ 2,746</td>
<td>€ 2,890</td>
<td>-</td>
<td>€ 251</td>
<td>€ 0</td>
</tr>
<tr>
<td>Integrated Investment Programs for the other Municipalities (63) and towns (217)</td>
<td>€ 3,568</td>
<td>€ 2,614</td>
<td>€ 954</td>
<td>-</td>
<td>-</td>
<td>€ 0</td>
</tr>
<tr>
<td>Danube Delta ITI</td>
<td>€ 1,116</td>
<td>€ 1,116</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>€ 0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>€ 133,394</strong></td>
<td><strong>€ 19,962</strong></td>
<td><strong>€ 22,312</strong></td>
<td><strong>€ 5,292</strong></td>
<td><strong>€ 3,143</strong></td>
<td><strong>€ 83,239</strong></td>
</tr>
</tbody>
</table>

Source: collected from various existing masterplans, strategies, and Operational Programmes.

The allocation of resources for urban areas consists of a number of dimensions which include the total proportion of EU funds that are allocated for SUD development but also the way in which these resources are targeted. The discussion below will consider both of these dimensions.

### More RESOURCE ALLOCATION – above six percent of ERDF

For the 2014-2023 implementation period, the World Bank has estimated that Romania’s 40 county capitals could sustainably undertake capital investments of around six billion euros. The basic premise of this estimate is that every public investment decision should take operation and maintenance (O&M) costs into consideration, and investments should not be undertaken if future O&M costs cannot be covered by domestic budgets. Of these six billion euros, urban areas can access around 2.7 billion euros (46% of capital investments envelopes) through EU funds in the 2014 – 2023 implementation period – either through the dedicated funds under Priority Axis 4 of the ROP (1.3 billion euros in total), or through a competitive process through other priority axes under the existent Operational Programmes.

The 46% of capital investment envelopes from EU funds represents a relatively large proportion of total EU funding for major urban areas in Romania. However, when the data is disaggregated it becomes clear that large cities, which are critical for the competitiveness of their respective regions, receive disproportionately less EU funds. For the 2021-2027 program period, it is important that EU funds are allocated according to actual needs in a way that other EU countries have done. (The case studies of Poland, Italy, or Czechia provide a good example of how resources could be allocated in a more equitable way).

For the 2014-2020 Programming Period, EU countries had to allocate at least 5% of ERDF funds for the SUD approach. Romania has an ERDF allocation of 12.9 billion euros for 2014-2020, which means that it should have allocated at least 0.65 billion euros. It has however allocated 11% for the SUD (around 1.3 billion euros), through a dedicated priority axis under the ROP, demonstrating considerable commitment towards the sustainable urban development goals.

For the 2021-2027 Programming Period, Romania will have a proposed ERDF allocation of around 17.3 bn. Euros. Of these, the new Cohesion Policy indicates that at least 6% should be allocated for SUD. Therefore, if Romania were to allocate the minimum 6% of ERDF for SUD, the total sum would come up to 1.039 billion euros. If 11% of ERDF, as is the case for 2014-2020, will be allocated for SUD, the total sum will come up to 1.905 billion euros. However, in order to fully support urban areas’ economic growth potential and to achieve a more equitable overall distribution of funds an increase in allocation to around 15% of ERDF would be desirable.

### More RESOURCE CONCENTRATION

More resources do not only mean larger allocations, it also involves concentrating those resources in those areas where they have the most impact. Given the large needs and the spread of those needs across a large geographical territory, there is an inherent push to spread resources in a balanced way. While this ensures equity across local authorities and as such avoids conflict, it does not necessarily respond to actual development dynamics. Development is inherently unbalanced and relies on a relatively small number of economic engines driving growth which benefits other
More RESOURCES for FUAs

SUD funds are primarily designed for urban areas, not just for cities, and as the examples in this report have shown, most countries have used SUD funds for functional urban areas (FUAs), not just for single cities. As such, it is important for Romanian authorities to truly make SUD funds available for FUAs. In practice, this means that suburban and peri-urban localities should become eligible for SUD funding too.

In essence, more resource concentration can ensure that critical investments go to those cities that have the highest potential of acting as “dams” to out-migration. This should not just be for single cities, as the examples in this report have shown, most countries have used SUD funds for functional urban areas (FUAs), not just for cities, and as the quality of life together with the economic development needs of urban areas need to form the basis for resource allocation decision if Romanian cities are to become competitive and be considered as an alternative to cities in Western Europe.

In the table below, the capital investment envelopes for the 2021-2029 period for the 39 Romanian urban areas. These envelopes should be considered, and SUD funds have been distributed by FUA, according to the percentage of ERDF (Article 7) SUD beneficiaries are estimated, and the localities that are part of their functional urban areas (FUAs), according to the following proportions (Core City: 6%, Outer FUA: 11%, and Full FUA: 15%).

TABLE 23. Proposed SUD allocations for 2021-2029

<table>
<thead>
<tr>
<th>FUA</th>
<th>Capital Investment Envelopes for 2021-2029</th>
<th>Proposed SUD funds allocations for 2021-2029</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Core City</td>
<td>Outer FUA</td>
</tr>
<tr>
<td>Cluj-Napoca</td>
<td>€ 475,891,989</td>
<td>€ 144,409,773</td>
</tr>
<tr>
<td>Galați</td>
<td>€ 301,514,078</td>
<td>€ 60,668,842</td>
</tr>
<tr>
<td>Iași</td>
<td>€ 332,826,697</td>
<td>€ 64,938,480</td>
</tr>
<tr>
<td>Deva</td>
<td>€ 90,416,832</td>
<td>€ 217,737,999</td>
</tr>
<tr>
<td>Târgoviște</td>
<td>€ 112,071,656</td>
<td>€ 63,821,101</td>
</tr>
<tr>
<td>Târgu Mureș</td>
<td>€ 209,001,407</td>
<td>€ 79,370,703</td>
</tr>
<tr>
<td>Suceava</td>
<td>€ 140,278,476</td>
<td>€ 45,137,837</td>
</tr>
<tr>
<td>Zalău</td>
<td>€ 64,393,039</td>
<td>€ 23,252,395</td>
</tr>
<tr>
<td>TOTAL</td>
<td>€ 6,776,704,167</td>
<td>€ 3,046,982,180</td>
</tr>
</tbody>
</table>

In the table below: the capital investment envelopes for the 2021-2029 period for the 39 (Article 7) SUD beneficiaries are estimated, and for the localities that are part of their functional urban areas. Next, the three SUD scenarios discussed above (with 6%, 11%, and 15% of ERDF allocated for SUD) are considered, and SUD funds have been distributed by FUA, according to the size of their capital investment envelopes.

In the table below: the capital investment envelopes for the 2021-2029 period for the 39 Romanian urban areas. These envelopes should be considered, and SUD funds have been distributed by FUA, according to the percentage of ERDF (Article 7) SUD beneficiaries are estimated, and the localities that are part of their functional urban areas (FUAs), according to the following proportions (Core City: 6%, Outer FUA: 11%, and Full FUA: 15%).

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<tr>
<td>TOTAL</td>
<td>€ 6,776,704,167</td>
<td>€ 3,046,982,180</td>
</tr>
</tbody>
</table>
Organizational models should ideally be tailored to the types of urban areas existent in Romania right now. Largely, Romania has three types of urban areas:

- Bucharest – the capital, and one of the major metropolises in Europe.
- Larger urban areas with more than 200,000 people.
- Urban areas with less than 200,000 people.

The way EU funds have been allocated for urban areas follows, more or less this typology. For example, for the 2007-2013 Programming Period, EU funds were pre-allocated for seven growth poles and 13 development poles which were considered to be the main urban areas within their respective regions and which be considered the engines of growth for their regions. The other urban areas, including Bucharest, could compete for funds in a pot dedicated to them. For the 2014-2020 Programming Period, 39 county capitals (with the exception of Tulcea, which could access funds under the Danube Delta ITI) had a dedicated pot of funds under Axis 4 of the ROP, while the other urban areas could compete for funds in a dedicated pot under Axis 13 of the ROP.

**FIGURE 31.**
Growth Poles and Development Poles in Romania

Both the approaches taken in 2007-2013 and in 2014-2020 Programming Periods have their merits and weaknesses. A more diverse approach could address these weaknesses. For one, it is important to have a separate and integrated approach for Bucharest, as it faces some unique...
challenges. Next, it is important to consider how the major secondary urban areas could be assisted so that they become regional development pillars that can strengthen the competitiveness of regions whilst also attracting people and reducing out-migration. Lastly, it is important to provide funding for subregional urban areas in order to help them raise the standard of living and anchor rural communities. In practice, this means that SUD funding should overwhelmingly go to the largest secondary cities (e.g., the growth poles and the development poles) capable of pulling upward the economy of their respective regions.

Some approaches will be discussed below.

**SUD 2021-2027 for Bucharest-Ilfov**

The Bucharest-Ilfov Region is a developed region, and as such it receives a more modest EU funds allocation. Bucharest has benefited directly from funds that target social inclusion, competitiveness of SMEs, Research & Development and environmental sustainability. Indirectly, Bucharest had the opportunity to benefit from large infrastructure investments in highways, roads, railways, or the metro system. Many of these investments have nevertheless been implemented without an overarching integrated development strategy and therefore lack coordination.

For the 2021-2027 programming period, it would be important to use a tool that will encourage an integrated approach for the area. This can either consist of a separate Operational Programme as is the case in several other major European cities (Prague, Brussels, or Stockholm) or through an ITI which is able to draw funds from different programs and priority axes. It is important to note that while Bucharest itself is a developed area, albeit a developed area with (still) many problems, it is surrounded by less developed areas which depend on the good performance of the capital for their own development. The City of Bucharest amasses around two million people but the one-hour-by-car access area around Bucharest (see figure below) brings together over four million people (20% of the country’s population) if Bucharest performs better the benefits will (ideally) spill over to all these four million people and to the country as a whole. In this situation an ITI would be able to combine funds from ERDF, ESF, CF and potentially EAFRD to address challenges in a more targeted way. However, the case of Prague also demonstrates that there is merit in combining a separate OP with an ITI. The OP would focus on the core city whilst the ITI would be able to focus on the larger FUA and include peri-urban and rural areas. The latter could be serviced through CLLD integrated into the ITI (see Figure 32 on the left).

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**FIGURE 32**
Model implementation mechanisms for FUAs for metropolitan areas
SUD 2021-2027 for secondary urban areas

The World Bank’s Magnet Cities29 report talks at length about the importance of strengthening secondary urban areas, as a way of anchoring regional economies, and pulling the national economy upward. Similarly, the National Territorial Development Strategy30 advocates for polycentric development and the needs to strengthen secondary urban areas. The table below, shows that within each region there are a handful of urban areas that generate most of the regional economic output. Moreover, these urban areas are disproportionately more productive than smaller urban areas and the rest of the region – i.e there is a clear premium to size. Unfortunately, secondary urban areas in Romania are currently too small to anchor the wider regional economy. Strengthening these secondary urban areas and making them more attractive to people: will be key to unlocking the development potential of each region. EU funds play an important role, in particular in terms of providing capital investment to develop the enabling conditions of these secondary urban areas.

For the 2021-2027 Programming Period, a number of organizational models are possible to respond to the needs of these secondary urban areas: 1) dedicated Operational Programme; 2) dedicated axis within an Operational Programme; 3) ITIs. Each of these approaches has its merits and shortcomings and these were discussed in the previous section.

TABLE 24. How important urban areas are for regional economies

<table>
<thead>
<tr>
<th>Region</th>
<th>Population (2011)</th>
<th>%</th>
<th>Employed People (2011)</th>
<th>%</th>
<th>Firm Revenues (million euros), in 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH WEST (Lagging)</td>
<td>2,600,132</td>
<td>100%</td>
<td>1,069,626</td>
<td>100%</td>
<td>€ 24,741</td>
<td>100%</td>
</tr>
<tr>
<td>Cluj Napoca</td>
<td>470,939</td>
<td>18.1%</td>
<td>215,275</td>
<td>20.1%</td>
<td>€ 8,872</td>
<td>35.9%</td>
</tr>
<tr>
<td>Oradea</td>
<td>336,538</td>
<td>12.9%</td>
<td>154,595</td>
<td>14.5%</td>
<td>€ 4,362</td>
<td>17.7%</td>
</tr>
<tr>
<td>Baia Mare</td>
<td>215,129</td>
<td>8.3%</td>
<td>91,812</td>
<td>8.6%</td>
<td>€ 2,339</td>
<td>9.5%</td>
</tr>
<tr>
<td>Satu Mare</td>
<td>195,584</td>
<td>7.5%</td>
<td>77,998</td>
<td>7.3%</td>
<td>€ 2,088</td>
<td>8.4%</td>
</tr>
<tr>
<td>Bistrita</td>
<td>126,860</td>
<td>4.9%</td>
<td>64,419</td>
<td>6.0%</td>
<td>€ 1,602</td>
<td>6.5%</td>
</tr>
<tr>
<td>Zalău</td>
<td>90,073</td>
<td>3.5%</td>
<td>41,931</td>
<td>3.9%</td>
<td>€ 936</td>
<td>3.8%</td>
</tr>
<tr>
<td>FUAs Total</td>
<td>1,435,123</td>
<td>55.2%</td>
<td>646,030</td>
<td>60.4%</td>
<td>€ 20,199</td>
<td>81.7%</td>
</tr>
</tbody>
</table>

| NORTH EAST (Lagging) | 3,302,217 | 100% | 1,441,083 | 100% | € 16,093 | 100% |
| Iasi | 414,869 | 12.6% | 193,830 | 13.5% | € 3,855 | 24.0% |
| Bacau | 228,656 | 6.9% | 108,638 | 7.5% | € 2,923 | 18.2% |
| Suceava | 182,955 | 5.5% | 85,310 | 5.9% | € 1,402 | 8.7% |
| Pitesti | 148,011 | 4.5% | 66,498 | 4.6% | € 1,206 | 7.9% |
| Targu Mures | 129,276 | 3.9% | 56,509 | 3.9% | € 1,099 | 6.8% |
| Giurgiu | 80,861 | 2.4% | 39,929 | 2.8% | € 533 | 3.3% |
| FUAs Total | 1,184,628 | 35.9% | 550,814 | 38.2% | € 11,080 | 68.8% |

29 World Bank. 2017. Magnet Cities: Migration and Commuting in Romania
30 http://sdtr.mdap.ro/
A dedicated OP, or a dedicated priority axis, would, by definition, take a wholesale approach, being prepared for a selection of urban areas. The ITI tool, on the other hand, allows a tailoring of interventions, to the needs of each individual urban area. With respect to the areas that the ITI tool could be used for, one could have both SUD and non-SUD areas: SUD ITI areas could include:

- Bucharest-IIfov
- Seven regional growth poles (as was done in Poland) – i.e. the metropolitan areas of Brăila-Galati, Deva-Hunedoara-Simeria, Vâlcea, Iași, Ploiești, and Timișoara.
- Three urban agglomerations (Brașov-Cluj-Napoca-Constanta, Craiova-Teleorman, and Timișoara).
- Other constituted metropolitan areas that make a compelling case for how an ITI would help with their metropolitan development, particularly in terms of establishing intermunicipal partnerships. In this situation, a strategy competition could be organized, the way it was done in Italy.

With respect to the non-SUD approach, some options for consideration include:

- Danube Delta – continuation of the 2014-2020 approach, with a stronger focus on environmental sustainability.
- Azul and Mar Menor, to have integrated investments focused on coastal areas.
- Măgurele Laser Valley – the largest R&D hub in Romania.
- Măgurele Laser Valley – the largest R&D hub in Romania.
- Măgurele Laser Valley – the largest R&D hub in Romania.

Another option worth considering is how the three urban partnership agreements that have been signed in recent years (Brașov-Bucharest-Constanta, Oradea-Adadău-Brașov, Suceava-Iași-Piata Neamț-Roman-Botoșani-Câmpulung Moldovenesc-Vatra Dornei) can be supported by European funding. These represent bottom-up initiatives, initiated by constituent local administrations, without requiring any outside incentives. Supporting such initiatives may make them more sustainable in the long term than requiring new entities to be established for access to EU funds. Allowing for an ITI for these partnerships may also strengthen and deepen them. This is also an approach that has been implemented successfully in Finland, through a partnership between the major urban areas in the country.

It is possible that these associations (some of them already having legal status and operational regulations, e.g. "Moldova se dezvolta" Association) could ensure a better dynamic of preparation and implementation of their investment projects, through their own internal mechanisms to stimulate cooperation between members and to minimize bottlenecks or delays.

In order to choose the most suitable and feasible options, it is strongly recommended to undertake permanent consultation and involvement from the beneficiaries of the future interventions and of their associations, learning from the difficulties arising in the implementation of the current ROP. It is possible that several approaches would be needed, depending on at least the following elements: the specificity of the territory, problems, needs, resources, administrative capacity, availability for collaboration, the degree of maturity of existing associations, and relevant legislative constraints.

**More FLEXIBILITY**

Similar to the need for more diversity, in order to accommodate the variegated nature of urban areas and the different stages in terms of the development of capacity, networks, and partnerships, a flexible approach would strengthen the implementation of SUD and non-SUD territorial approaches over the implementation period. Flexibility includes more organizational cooperation, and operational flexibility.

**More ORGANIZATIONAL FLEXIBILITY**

In-depth consultations should be organized with the local administration to determine what type of organizational models would best serve their needs, and to try to establish these organizational models as close as possible to the vision of these local administrations. Some urban areas may require complex, integrated interventions that require an ITI tool, while others may need a large infrastructure intervention that could be undertaken from a dedicated priority axis. Similarly, some urban areas may require interventions through 30 thematic areas, while others will require interventions from a smaller number of thematic areas.

**More COOPERATION FLEXIBILITY**

Development dynamics rarely follow strict administrative boundaries. So local authorities should be offered the option of accessing EU funds for various types of interjurisdictional arrangements. For example, in Spain there is an ITI that span several NUTS2 and LAU2 regions. Italy and Slovenia have managed to devise a cross-border ITI. And, rural areas in Romania routinely implement cross-jurisdictional projects through the CLLD approach, although some think that this is impossible for urban areas in Romania.

Perhaps even more importantly, ITI appear to be an excellent tool to strengthen interjurisdictional projects and partnerships within Functional Urban Areas. The case of Poland is particularly instructive which demonstrates that pre-existing largely dormant interjurisdictional partnerships can be resurrected and strengthened through the ITI tool. The allocation of funding to these partnerships affords real impetus to cooperation and forms the basis for deeper relationships.

It is important to offer flexibility in terms of the choice of legal form of collaboration, depending on the local context, planned scope of collaboration, capacity and number of involved municipalities, and level of trust among them. The Polish example shows that in some cases, a simple form is enough to mitigate joint ITI implementation. Simpler forms limit the costs that have to be invested in collaborative activities and allow for covering most of the tasks within existing administrative structures. In others, a more advanced form is preferred by local actors due to higher capacity and broader scope of collaboration. A separate, new intermunicipal organization allows more equal power relations among municipalities, and more independence in terms of joint activities, both from the political and organizational perspective.
More OPERATIONAL FLEXIBILITY
While it is important to set out clear priorities at the beginning of a programming period, and to follow-through on those priorities, it is also important to create some space for adjustments midway through. Development dynamics can change dramatically over a nine-year implementation period, so some operational flexibility should be allowed.

An important consideration here is that urban areas have different levels of experience and capacity. These are likely to change throughout the programming period. Once urban authorities build up capacity and have demonstrated competence, they should be allowed to extend their responsibilities. Operational procedures should allow for an iterative approach to learning.

More DECENTRALIZATION
From the review of organizational models in other EU countries, it is clear that a higher degree of decentralization has enabled more resources across the board (e.g. through regional Operational Programmes), more diversity (with more thematic areas available), and more flexibility (with a variety in approaches from region to region, and from urban area to urban area).

Some options that can be considered here include: regional decentralization, local decentralization, and community decentralization.

More REGIONAL DECENTRALIZATION
Without NUTS2 administrative regions, it will be hard to have true regional decentralization, and use regional Operational Programmes for each individual region. If each region could elaborate its own regional Operational Programme, it could more adequately target its distinct needs. A single national regional Operational Programme can hardly accommodate the wide array of needs – from the more urban and more developed regions, to the more rural and less developed regions. An option could be for the national regional Operational Programme to include a common investment chapter for the common needs of the regions, and packages with specific options for each region, depending on the local / regional needs.

However, a wider array of operational tasks (ideally everything that the legislation and regulations allow) should be moved from the national level to regional development agencies (RDAs) and other intermediary bodies, to allow operations to be as close to the beneficiary as possible.

The possibility of having regional priorities defined at the regional level, potentially through regional Operational Programmes, would also make organisational models such as the ITIs more feasible. Metropolitan ITIs have been used most extensively in countries with regional Operational Programmes, with the thematic areas covered by the ITI being decided locally, rather than nationally.

More LOCAL DECENTRALIZATION
Operational Programmes in Romania are overly centralized, with a lot of the decisions removed from the people they are supposed to impact. As such, local administrations should be involved more extensively in the planning design, and implementation of Operational Programmes. To the extent possible, and in accordance with actual capacity, more decision power should be moved from the national level to the local level. For example, in Czechia, an Operational Programme was devised for the Prague Metropolitan Area, with the managing authority sitting in the Prague City Hall. Similarly, the other large metropolitan areas and urban agglomerations in Czechia could take advantage of the ITI tool, and have intermediary bodies with significant responsibilities, sitting under the core city administration. In Poland, a national regional Operational Programme was used 2004-2006, and later the system was effectively decentralized by creating 16 ROPs. Over the years, the administrative capacity increased significantly in the regions, which trained their staff and specialized in EU funds management.

Most EU countries effectively created intermediate bodies (IBs) at the local level in order to decentralize EU funds management and follow the place-based approach to EU policies. In the majority of the countries there were initial problems with the administrative capacity at the local level, and the scope of tasks delegated to them differs. However, the initial analyses show that over time there was an improvement in the performance of such institutions, and the initial low capacity should not discourage others from the decentralization of EU funds management. It is advised to empower local institutions in the process of implementation, increasing the number of local IBs and delegating to them a more extensive scope of tasks. This will promote better tailoring of EU investments to local needs, and build capacity in the municipalities, thereby strengthening sustainable urban development in Romania.

Other tools that can allow local administrations to bring development decisions at the local level, are revolving funds like JESSICA. Such revolving funds could be setup at the metropolitan level, and enable various stakeholders (e.g. smaller municipalities, SMEs, NGOs) to access funding for (generally) small development project. When the loan from the revolving fund is repaid, the fund gets replenished and other projects can be financed. Annex 7 provides more details on how such an urban/metropolitan development fund could be set up, and what some of the advantages and disadvantages of such a fund are. There are a number of examples where financial instruments were integrated with SUD approaches including ITIs (e.g. the Hague, Brussels, and London).

More COMMUNITY DECENTRALIZATION
All EU funded interventions should ultimately respond to the needs of the people living in the targeted areas. As such, more ambitious and creative citizen engagement tools\(^21\) should be devised to see how investment program could be fine-tuned to the needs of people. For example, the World Bank’s citizen engagement efforts under Your City’s Priorities Campaign have shown a disproportionate preference of people in many urban areas for health infrastructure – an area/sector that is not covered as well as it could be (given people’s preference for it).

Due to the highly centralized nature of Romanian governance structures, local authorities have relatively little experience in terms of implementing ESIF. Such authorities should be supported through urban networks at the national and European level. The introduction of SUD in the 2014-2020 period has led to the strengthening or creation of urban development networks (e.g. Spain, Poland, etc.) to support capacity building efforts, together with the Urban Development Network at the European level. Such structures are important to share information, establish links and develop new ideas.

\(^{21}\)In devising the tools, attention should be paid to their appropriateness and accuracy e.g. to eliminate the possibility of a multiple votes by the same respondent.
Decentralization should also include local stakeholders (private companies, non-government organizations, universities, and various public sector institutions) in the process of programming and implementing SUD instruments. In the context of the low administrative capacity of the local authorities, it is important to use the knowledge of other local actors that could help in delivering data, diagnosing the crucial problems of urban areas, and setting development objectives. Organizing public consultations, expert panels and partnership projects could help in legitimizing SUD strategies, raising their quality, and designing interventions crucial for local development. In some countries, e.g. Czechia and Finland, local IBs created cross-sector partnerships that helped in designing the SUD strategy and then monitor its implementation. A similar approach could help in overcoming local capacity challenges in Romania.

SOME OPTIONS FOR THE SUD 2021-2027
Some of the options that can be considered for the next programming period include:

**Option 1.** Dedicated axis under the ROP 2021-2027, as is the case now, but with a higher concentration of funds — i.e. larger allocations for larger urban areas, and with the possibility of interjurisdictional agreements or project-based partnerships to be eligible for EU funding. Premiums should be offered to the local administrations that choose to pursue functional urban area approaches, or funding lines could be dedicated to strategic projects with metropolitan impact. Also, there should be a wider menu of intervention fields that urban areas could choose from.

**Option 2.** A Metropolitan Areas Operational Programme dedicated to the growth poles and development poles from the 2007-2013 Programming Period (following the Italian model), with a higher thematic diversity, and with eligibility open for all territorial administrative units that are part of the metropolitan area / functional urban area of these growth poles and development poles. One, or several axes under this OP could be dedicated to interjurisdictional projects that respond to metropolitan or urban agglomeration dynamics. Projects under these axes could be negotiated and prioritized ahead of time and would not be subject to competitive selection. All other urban areas could have a dedicated axis in the ROP 2021-2027, similar to the current Axis 13 of the ROP 2014-2020. In addition, for targeted issues, urban areas should have the possibility to form Local Action Groups, with other local administrations, private sector representatives, and/or NGOs. Also, as is the case for the SUD 2014-2020, for thematic areas that are not included specifically in the Metropolitan Areas OP, local administrations should be allowed to access funding from other OPs.

**Option 3.** ITIs for the seven growth poles, with around 50% of total SUD funding. Another 50% of the funding would be allocated for the other 32 county capitals through a dedicated priority axis under the ROP (similar to the current Axis 4, but with the adjustments discussed under Option 1). All the other urban areas could have a dedicated axis under the ROP 2021-2027, similar to the approach currently used with Axis 13 of the ROP 2014-2020. For targeted issues, urban areas should have the possibility to form Local Action Groups, with other local administrations, private sector representatives, and/or NGOs. For thematic areas that are not included specifically in the dedicated axes, local administrations should be allowed to access funding from other OPs.
Option 4.
Urban Development Operational Programme for the current 39 Article 7 urban areas. As discussed under Option 1 and 2, dedicated priority axes should be made available for strategic projects with metropolitan impact. A dedicated priority axis under the ROP 2021-2027 would be available for small urban areas, with an approach similar to the current Axis 13 of the ROP 2014-2020. For targeted issues, urban areas should have the possibility to form Local Action Groups with other local administrations, private sector representatives, and/or NGOs. For thematic areas that are not included specifically in the dedicated axes, local administrations should be allowed to access funding from other OPs.

Option 5.
Regional Operational Programmes, with the SUD approach decided individually for each region (as is the case in Italy). Several sub-options can be considered here, as follows:

Option 5.1. 8 Regional Operational Programmes with regional MAs. Within this option, the function and attributions of the Managing Authority are transferred at the regional level to RDAs, taking over some areas from the current nationally managed Operational Programmes.

According to Article 65, Paragraph 1 from the Cohesion Policy proposal, ‘the Member State shall identify for each programme a managing authority and an audit authority.’ The Ministry of European Funds, as national coordinator, could, for example, identify Regional Development Agencies as management authorities for the 8 Regional Operational Programmes. In accordance with Annex XIV of the Cohesion Policy proposal, the status of the managing authority can be that of a national, regional or local public body, or that of a private entity.

Based on Article 65, Paragraph 3, the regional MA ‘may identify one or more intermediate bodies to carry out certain tasks under its responsibility’

Depending on the SUD approach decided at the regional level, the local administrations could play the role of intermediary bodies. Article 23, Paragraph 4 indicates that ‘where an urban, local or other territorial authority or body carries out tasks falling under the responsibility of the managing authority other than the selection of operations, the authority shall be identified by the managing authority as an intermediate body.’

Option 5.2. Maintaining the current framework with a national ROP for part of the regions and pilot Regional OPs for three to five voluntary regions. Within this option, one could have a mix of regional programs: one managed nationally (similar to the one from 2014-2020) and three to five Regional OPs managed similar to Option 5.1 in which the function and duties of the Managing Authority are transferred at regional level. Participating in such a pilot program would be voluntary.

Option 5.3. Keeping a national ROP, with an axis and allocation dedicated to each region, as well as with a consistent transfer of competencies to the regions. The Global grant model of the Large Infrastructure OP could be used as a model. Within this option, everything is organized under a single regional Operational Programme. However, the particularities of each region are transposed at the level of specific axis and differentiated allocation. The managing authority at the central level has exclusively the coordinating role of the program; all the other attributions will be exercised at the level of the RDAs as intermediary bodies. For the SUD approach, the local administrations could function as secondary intermediary bodies.
Most EU member states devised organizational models that enabled interjurisdictional cooperation to access EU funds, in relation to sustainable urban development, often with a strong focus on metropolitan areas and functional urban areas. Romania has also made use of organizational models that have benefited interjurisdictional cooperation, but primarily in non-urban settings – i.e. the Danube Delta ITI, and Local Action Groups in rural areas. For a variety of reasons, Romania has allocated EU funds to core cities rather than to functional urban areas.

This report argues that for the 2021-2027 Programming Period, a bolder SUD approach could be promoted – one that also takes metropolitan areas and urban agglomerations into consideration. As the various EU case studies have shown, regardless of which major organizational model was used (dedicated OP, dedicated priority axis, ITI), the SUD focus has most often been on urban areas not just on core cities per se.

ESIF funding is a key driver for developing Romanian in urban areas, secondary urban areas, in particular, should benefit from this support. Evidence from OECD and World Bank studies demonstrates that these urban areas are the economic engines that will support forward growth for the whole Romanian economy. In order to maximize the impact of ESIF funding, the strategies should extend beyond traditional administrative boundaries and target functional urban areas.

Yet, ESIF funding or EU organizational models for interjurisdictional cooperation should not be regarded as the panacea for all ills. In order to address structural challenges such peripherality, capacity, lower quality of institutions, policy goals and resources at the European, national, regional, and urban levels have to be aligned. Only in this manner can the preconditions for economic opportunities be supported to its greatest extent. Nevertheless, the individual case studies have identified a number of ways in which the ESIF funds can drive changes in culture, organization, and policy.

1. Multijurisdiction cooperation approaches have evolved as they matured (Polish and Portuguese examples). This maturity is likely linked to the rate of urbanization – so as urban areas grew, so also did approaches to managing complex urban challenges. Proponents of this approach need to appreciate this, take a long-term view and build in mechanisms and capability for learning and refinement as the system matures.
2. **Multijurisdiction cooperation structures that were informed by a clear national urban development/growth strategy seem to have been more successful.** A national assessment of growth poles and associated Functional Urban Areas that are maintained over time, supported by robust institutional, planning, and fiscal resources – improves the performance of identified urban areas, strengthens urban-rural linkages, and satisfies the need to make integrated investments outside the administrative territory, in order to provide public services in correlation to demand and with the optimal sizing of potential users. Further, a strong national strategy provides a basis for aligning European policy frameworks to those at the national level, whereas without this, there are risks of policy drift and a lack of direction.

3. **Flexible institutional responses** – there is evidence of various approaches to structuring multi-jurisdiction cooperation, from informal (agreements) to formal. The decision on which modality works should be made taking factors like context, capacity, etc. into account. In order to respond to the different levels of capacity and resources, national governments should consider a ‘deal-making’ type of approach to SUD implementation. This would allow for tailored structures, responsibilities, and operations, while ensuring they meet national and European expectations. This flexibility should be extended in an iterative manner; when urban areas learn and build capacity the basis of cooperation can be strengthened.

4. **Financing** – the case studies highlighted the different ways in which these structures and their work were financed. While focus was given to how the EU funds were utilized, it is clear that where there was financial certainty (with national funds also being allocated to the same areas and sectors), there was greater success. At the same time, it would be necessary for the national funding to be designed in such a way that it does not compete with European funding, with the risk that beneficiaries will prefer the national one (especially if the national mechanism is easier), negatively affecting attraction of European funds.

5. **Clarity of roles and responsibilities** – multijurisdiction cooperation requires clear delineation of roles and responsibilities between various parties. These range from strategy formulation and approval, project selection and monitoring, reporting, and evaluation. These decisions should also be taken considering capacity and capability. In Portugal, for instance, municipalities assumed the powers and functions of IBs. In Romania, the RDAs are the ones that have accumulated and proven experience as IBs, as well as supporting structures for urban development in the two most recent programming periods. A natural step for the next period, would be to extend the attributes of the current structure, to support all categories of cities to identify and implement the sustainable urban development projects.

6. **Capacity** – multijurisdiction cooperation requires capacities that may not be typically resident in local municipalities. For instance, analytics of metro-level mobility, strategy development, and project execution. Building this capacity is an important cog in the development of a suite of instruments to strengthen metro-level planning, project implementation, and funds absorption. Urban networks at the European, national, and potentially regional level can play an important role in terms of building capacity.
ANNEX 1.
Thematic Areas Covered by the Polish ITIs

1b.) Promoting business investment in R&I, developing links and synergies between enterprises, research and development centers and the higher education sector. […]

2c.) Strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health

3a.) Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators

3b.) Developing and implementing new business models for SMEs, in particular with regard to internationalization

3c.) Supporting the creation and the extension of advanced capacities for product and service development

4a.) Promoting the production and distribution of energy derived from renewable sources

4c.) Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector

4e.) Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures

4ii.) Supporting energy efficiency and renewable energy use in …

4iv.) Developing smart distribution systems at low voltage …

4v.) Promoting low-carbon strategies for urban areas

4vi.) Promoting the use of high-efficiency co-generation of heat and power based on useful heat demand.

5b.) Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems

5ii.) Promoting investment to address specific risks, ensuring …

6a.) Investing in the waste sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements

6b.) Investing in the water sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements

6c.) Conserving, protecting, promoting and developing natural and cultural heritage

6d.) Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure

6i.) Addressing the significant needs for investment in the …

6ii.) Addressing the significant needs for investment in the …

6iv.) Improving the urban environment, including regeneration …

7b.) Enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes

7c.) Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility

7d.) Developing and rehabilitating comprehensive, high quality and interoperable railway systems, and promoting noise-reduction measures

8i.) Access to employment for job-seekers and inactive people…

8ii.) Sustainable integration of young people not in employment…

8iii.) Self-employment, entrepreneurship and business creation

8v.) Equality between men and women and reconciliation between…

8v.) Adaptation of workers, enterprises and entrepreneurs to …

8vi.) Active and healthy ageing

9a.) Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services

9b.) Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas

9i.) Active inclusion

9iv.) Enhancing access to affordable, sustainable and …

9v.) Promoting the social economy and social enterprises

10a.) Investing in education, skills and lifelong learning by …

10i.) Reducing early school-leaving and promoting equal access …

10ii.) Enhancing access to lifelong learning, upgrading the …

10iv.) Improving the labor market relevance of education …
ANNEX 2.
List of Ministries and Operational Programmes

MINISTRY OF EUROPEAN FUNDS:
- POIM (Operational Programme Large Infrastructure) - approved in July 2015.
- POCU (Human Capital Operational Programme) - approved in February 2015.
- OPTA (Operational Programme Technical Assistance) - approved in December 2014.
- POC (Operational Programme Competitiveness) - approved in December 2014.

MINISTRY OF REGIONAL DEVELOPMENT AND PUBLIC ADMINISTRATION:
- ROP (Regional Operational Programme) - approved in June 2015.
- POCA (Operational Programme Administrative Capacity) - approved in February 2015.
- European Territorial Co-operation Operational Programmes

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT:
- RDP (Rural Development Program) - approved in May 2015.
- POPAM (Operational Programme for Fisheries and Maritime Affairs) - approved in December 2015.

The link between ADI-ITI Delta and the Ministry of European Funds (MFE) and other ministries, namely Ministry of Regional Development and Public Administration (MDRAP) and the Ministry of Agriculture and Rural Development (MARD) is done through the Working Group functional whose secretariat is the MFE as ministry coordinator.

ANNEX 3.
ITI Funds

Instrument ITI provides funding for projects in all Operational Programmes, including investment in CF, ERDF, ESF, EAFRD and EMFF. Thus, in the 2014-2020 Programming Period for Tool’s ITI established indicative allocations totaling about 1.11 billion euros, distributed Operational Programmes as follows:

- Operational Programme Large Infrastructure - 407,640,000.00 euros;
- Regional Operational Programme - 358,106,383.00 euros;
- Human Capital Operational Programme - 60,000,000.00 euros;
- Operational Programme Competitiveness - 60,000,000.00 euros;
- Operational Programme Administrative Capacity - 16,000,000.00 euros;
- National Rural Development Program - 168,000,000.00 euros (including national contribution);
- Operational Programme for Fisheries and Marine Affairs - 37,000,000.00 euros;
- Operational Programme Technical Assistance - 5,000,000 euros.
ANNEX 4. ADI ITI DD Organizational Chart and Main Functions

ANNEX 5. Danube Delta ITI Projects organized by development Pillars
### ANNEX 6. Types of interventions possible under the Danube Delta ITI

#### Interventions that can be financed through LIOP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rehabilitation of county roads and support for urban mobility</td>
<td>National Company of Motorways and National Roads – CNADNR</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>County council</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local public authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modernization of ports (Tulcea, Sulina, Macin, Isaccea, Mahmudia, and Chilia)</td>
<td>National Agency for Ports – Regional section Tulcea</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Development and modernization of airport infrastructure</td>
<td>Ministry of Transport – Civil Airport Authority</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation and modernization of the Sulina Channel</td>
<td>National Agency for Ports – Regional section Tulcea</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>(Projects in areas with &gt; 2,000 Population equivalent)</td>
<td>The Applicant will be IDA Tulcea Water for the following localities: Tulcea, Bobodag, Magin, Sulina, Isaccea, Greci, Vacarem, Somova, Maluc, Sarichioi, Chilia Veche, Cisian, Smerdin</td>
<td>H</td>
</tr>
<tr>
<td></td>
<td>Improvement of the WTP, rehabilitation of old parts of the water network, Extension of the sewerage network and interconnectivity with main sewerage collector, including pumping stations for sewage</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investments in SWM systems for handling separated waste (waste separation at source, collection, sorting and transportation facilities)</td>
<td>IDA Tulcea WASTE</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Composting bins for rural households to process organic waste</td>
<td>IDA Tulcea WASTE</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Collection of floating waste in river channels</td>
<td>DDBR</td>
<td>H</td>
</tr>
<tr>
<td></td>
<td>Investments in treatment and disposal facilities for construction and demolition waste</td>
<td>IDA Tulcea WASTE</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Development and implementation of measures to reduce solid waste in natural areas</td>
<td>DDBR</td>
<td>H</td>
</tr>
</tbody>
</table>

**Legend**

- **Pillar 4: Providing Basic Service**
  - Sector interventions
  - Water supply and sanitation and integrated water management
  - Solid Waste Management
  - Health
  - Education
### Annex 6: Types of Interventions Possible Under the Danube Delta ITI

#### Interventions that can be financed through COP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority H/M/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia 1</td>
<td>Increasing private investments in RDI and encouraging the demand for RDI</td>
<td>RD Centers</td>
<td>L</td>
</tr>
<tr>
<td>Asia 1</td>
<td>Increasing knowledge, technology, and staff transfer with RDI skills by means of partnerships between private and research environments</td>
<td>Private sector and RD centers</td>
<td>L</td>
</tr>
<tr>
<td>Asia 1</td>
<td>Increasing the excellence of scientific basis as engine for innovation, by developing RD infrastructure</td>
<td>RD centers</td>
<td>L</td>
</tr>
<tr>
<td>Asia 1</td>
<td>Increasing the involvement in EU level research by unlocking the excellence potential in RDI, such as within the framework program Horizon 2020, and by attracting talents and advanced skills to the RDI national system</td>
<td>RD centers</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Expanding and developing high speed broadband communication infrastructure</td>
<td>Public authorities in white spots</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Increased access to broadband internet / ultra-fast internet for green tourism</td>
<td>Public authorities in white spots</td>
<td>H</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Increasing vertical integration of ICT innovation solutions in the local economy</td>
<td>Private sector</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Increasing the use of e-governance systems</td>
<td>Public sector</td>
<td>M</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Create and maintain an inter-institutional environmental and health risk factor database</td>
<td>Study area</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Formulating and implementing open data policies for local public authorities</td>
<td>Local public authorities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Developing ITC infrastructure and systems and digital skills to support education, health, online culture, and digital inclusion</td>
<td>Private companies</td>
<td>L</td>
</tr>
</tbody>
</table>

#### Interventions that can be financed through TAPO

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority H/M/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia 1</td>
<td>Technical Assistance (TA) for ITI program management: The focus will be on capacitating building for project management in regard to drafting technical and other types of documents, procurement, accounting, environmental assessment and other project management functions. Communication efforts should be included as well</td>
<td>Public (LA’s, County councils, IDA ITI) and private (e.g. community training on accessing funds)</td>
<td>M</td>
</tr>
</tbody>
</table>

#### Interventions that can be financed through ROP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority H/M/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia 2</td>
<td>Develop sustainable business incubators in innovative key sectors</td>
<td>SMEs</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Encouraging sustainable competitive SME development</td>
<td>SMEs</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Increase the energy competitiveness of local SMEs</td>
<td>SMEs</td>
<td>L</td>
</tr>
<tr>
<td>Asia 2</td>
<td>Strengthen the productivity of sustainable SMEs in the area</td>
<td>SMEs</td>
<td>L</td>
</tr>
</tbody>
</table>
### Types of Interventions Possible Under the Danube Delta ITI

**Annex 6**

#### OUTPUT 4 / ACTIVITY 3 - ORGANIZATIONAL MODELS FOR INTERJURISDICTIONAL AGREEMENTS

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of Intervention</th>
<th>Beneficiary</th>
<th>Priority H/M/L</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Axis 3</strong></td>
<td>Improving the energy efficiency and increasing the use of renewable energy sources in public buildings (schools, hospitals, administrative buildings, etc.)</td>
<td>Regional Administrative Units (TAUs)</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Extending and improving the energy efficiency of public lighting</td>
<td>TAUs</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Support for improving energy efficiency of households</td>
<td>Household associations</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Develop clear and easy to use local guidelines for climate change and energy efficiency programs</td>
<td>Local authorities</td>
<td>L</td>
</tr>
<tr>
<td><strong>Axis 5</strong></td>
<td>Urban renewal interventions</td>
<td>Tulcea City and the four towns in the DD Region</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Modernization of County Roads</td>
<td>Tulcea County Council</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>i) DJ 223: Section I and II, Neclului - intersection with DN22 - Zebil - Sarnichiu (Int. DJ 222)</td>
<td>Tulcea County Council</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>ii) DJ 226: Section DN 116 – Corbu – Săcele – Istria</td>
<td>Tulcea County Council</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>iii) DJ 226A: Cetatea Histria – Cogealac – Râmnicu de Jos</td>
<td>Constanța County Council</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Building cycling tracks from Chilia Veche to Sulina and from Sulina to Sf. Gheorghe</td>
<td>Chilia Veche, Sulina, Sf. Gheorghe</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Implementing the region-wide program for product and attraction development</td>
<td>Tulcea county council, Dobrogea Tourism operators</td>
<td>H</td>
</tr>
<tr>
<td></td>
<td>Development and installation of visitor infrastructure</td>
<td>Individual Territorial Administrative Units</td>
<td>H</td>
</tr>
</tbody>
</table>

**Annex 7**

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of Intervention</th>
<th>Beneficiary</th>
<th>Priority H/M/L</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Axis 8</strong></td>
<td>Rehabilitation of facilities, and upgrading of lab equipment, vehicles, medical caravans, and boats</td>
<td>Tulcea Public Health Directorate</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation/modernization of facilities, and medical office and IT equipment; houses for the family doctors in the Danube Delta localities</td>
<td>Individual Territorial Administrative Units</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Modernization and equipment, and organizing a functional building block at Tulcea Emergency Hospital (including for integrated ambulatory department) and for Măcin Hospital</td>
<td>Tulcea county council, the town of Măcin</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation/transformation of TB pavilion at Tulcea Emergency Hospital to a social accommodation center (residential care shelter)</td>
<td>Tulcea County Council</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Create public ambulatory centers by rehabilitating closed hospital buildings in Babadag and Sulina</td>
<td>Babadag TAU, Sulina TAU</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Provisions of ambulances for emergency care</td>
<td>County Emergency Service (Serviciul de Ambulanță Județean)</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>Provisions of relevant, accessible and incentivized LLL programs in sustainable tourism, agriculture, and fisheries in Community Centers for Permanent Learning</td>
<td>TAUs or associations thereof of IDA ITI. For the 15 locations with existing community centers including Beștepe, Cucușeni, Șălciua, Luncavita, Peceneaga, Costăcheta, Gârda, Juțulea, Roșița, Topocig</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Creating an education &amp; training network for students living in remote areas or with less than 2,000 inhabitants to provide access to primary and lower secondary quality education for all</td>
<td>IDA ITI or an association of TAUs</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Provide support for creating VET schools that are relevant, attractive and inclusive, and which produce a workforce with knowledge and skills of international standard and relevance to the global demands of nature-based tourism and recreational fishing market</td>
<td>Individual TAUs</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Enhance kindergartens and nursery services through development, support, rehabilitation, and provision of equipment to increase access to early childhood education and care (ECEC)</td>
<td>Individual TAUs</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Bring early school leavers back to school through “after school” and “second chance” programs (primary and gymnasium)</td>
<td>Tulcea and Constanța County School Inspectorate</td>
<td>L</td>
</tr>
</tbody>
</table>
### Interventions that can be financed through ACOP

<table>
<thead>
<tr>
<th>Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 1</td>
<td>SO 11</td>
<td>Reforms to increase cost-effectiveness of sector governance / management (hospital payment mechanisms to incentivize public ambulatory, family doctors and telemedicine systems)</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop a CC partnership platform, including a community-driven climate adaptation fund targeted at low income families; a micro grant or loan mechanism to support SMEs and a partnership facility to promote private and public collaboration for innovative climate action</td>
<td>IDA (IT)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Create a CC partnership platform, including a community-driven climate adaptation fund targeted at low income families; a micro grant or loan mechanism to support SMEs and a partnership facility to promote private and public collaboration for innovative climate action</td>
<td>IDA (IT)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen analytical capacity at DDNRI</td>
<td>DDNRI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review and revise regulations on taxes in the fishing and aquaculture industry - refers to intervention ‘Consider some tax incentives like the elimination of the water tax’ component of intervention ‘Improve aquaculture’</td>
<td>Central government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Natural capital accounting studies to determine the highest value uses of land and natural resources for optimal management</td>
<td>DDBRA and County councils</td>
</tr>
<tr>
<td>Axis 2</td>
<td>SO 22</td>
<td>Implementation and development of a risk management system in the Danube Delta Biosphere Reserve</td>
<td>DDBRA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management plan and operation rules for the Danube Delta Biosphere Reserve</td>
<td>DDBRA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen administrative framework for the management of DDBRA</td>
<td>DDBRA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Traverse regulations to improve the design of household subsidies to improve affordability of services and a more efficient targeting and use of financial and natural resources</td>
<td>Central government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve transparency, inclusiveness, ethics, and integrity, and reduce corruption in public authorities and institutions</td>
<td>Public administration at all levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase the efficiency of the judicial system</td>
<td>All judicial entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve access and quality of services provided by the judicial system</td>
<td>All judicial entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve the quality of public administration</td>
<td>All levels of government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Create and maintain an inter-institutional environmental liability database for pollution prevention</td>
<td>All relevant authorities</td>
</tr>
</tbody>
</table>

### Interventions that can be financed through HCOP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 1</td>
<td>SO 21</td>
<td>Institutionalization of a Danube Delta Destination Management Organization (DMO)</td>
<td>IDA (IT)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthening local administrative capacity for strategic planning and budgeting decision making human resource management and monitoring and evaluation for a better governance</td>
<td>TAU or associations thereof</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improving strategic planning and budgeting based on the development of management systems and tools to support economic and environmental goals</td>
<td>All TAU in DDR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Replace or modify cherhana based system</td>
<td>Individual TAU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Create and maintain an inter-institutional environmental liability database for data sharing and better coordination across agencies for pollution prevention</td>
<td>All relevant authorities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 2</td>
<td>SO 22</td>
<td>Implementation of a support mechanism for fostering entrepreneurship, particularly innovative and sustainable nature- and culture-based tourism MSME’s and social tourism</td>
<td>Relevant education, training and certification entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SME subsidies for job placement for NEETs in relevant fields</td>
<td>PED employers and selected other entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enlarge the access to vocational education for agriculture</td>
<td>Relevant education, training and certification entities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of relevant, accessible and incentivized LLL programs, particularly in sustainable tourism, agriculture, and fishing in Community Centers for Permanent Learning</td>
<td>Relevant education, training and certification entities</td>
</tr>
</tbody>
</table>
### OUTPUT 4 / ACTIVITY 5 - ORGANIZATIONAL MODELS FOR INTERJURISDICTIONAL AGREEMENTS

#### ANNEX 6. TYPES OF INTERVENTIONS POSSIBLE UNDER THE DANUBE DELTA ITI

<table>
<thead>
<tr>
<th>OP Area</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia 3</td>
<td>Implementation of a support mechanism for fostering entrepreneurship, particularly innovative and sustainable nature- and culture-based tourism MSME’s, and social tourism</td>
<td>Relevant education, training and certification entities in partnership with SPO and other entities</td>
<td>M</td>
</tr>
<tr>
<td>Asia 3</td>
<td>SME subsidies for job placement for NEETs in relevant fields</td>
<td>SPO, Employers</td>
<td>L</td>
</tr>
<tr>
<td>Asia 3</td>
<td>Enlarge the access to vocational education for agriculture</td>
<td>Relevant education, training and certification entities in partnership with SPO and other entities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 3</td>
<td>Create partnerships between employers, E&amp;T providers and research bodies to ensure a better performance of the education system in addressing labor market needs</td>
<td>Relevant education, training and certification entities as well as PES in partnership with relevant entities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 3</td>
<td>Provision of relevant, accessible and incentivized LLL programs primarily in sustainable tourism, agriculture and fishing in Community Centers for Permanent Learning</td>
<td>Relevant education, training and certification entities</td>
<td>M</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Develop early childhood (0-6 years) institutional infrastructure in communities with high share of Roma and other vulnerable groups</td>
<td>Local authorities and NGOs in areas with high share of Roma and other vulnerable groups</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Scaling up school mediators in schools with high percentage of Roma and other vulnerable groups</td>
<td>Local authorities and NGOs in areas with high share of Roma and other vulnerable groups</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Implementing community grants for educational intervention</td>
<td>Local authorities and NGOs in areas with high share of Roma and other vulnerable groups</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Improve digital literacy among the Roma and other vulnerable groups</td>
<td>Relevant TAUs (Territorial Administrative Units)</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Increase the access to and the efficiency of social service provision</td>
<td>Public Local Authorities, DGASPC, NGOs</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Provide area specific training for medical professionals</td>
<td>NGOs, Public Health Directorate</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Increase the prevalence of health programs focused on prevention and screening</td>
<td>NGOs, Public Health Directorate</td>
<td>L</td>
</tr>
<tr>
<td>Asia 4</td>
<td>Create jobs for vulnerable groups by promoting the development of the social economy in relation with priority development sectors in DDBR</td>
<td>Relevant entities in education, training and certification and the Employment Agency in partnership with relevant entities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Provision of relevant, accessible and incentivized LLL programs primarily on sustainable tourism, agriculture and fishing in Community Centers for Permanent Learning</td>
<td>Certified training providers, school inspectorates, employment agencies, private and public centers for certification, professional associations and other relevant education, training and certification entities</td>
<td>M</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Enlarge the access to vocational education for agriculture</td>
<td>Relevant education, training and certification entities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Create an education &amp; training network for students living in remote areas or with less than 2,000 inhabitants to provide access to primary and lower secondary quality education for all</td>
<td>Education inspectorates in collaboration with community orgs, TAUs</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Provide support for creating VET schools that are relevant, attractive and inclusive, and which produce a workforce with knowledge &amp; skills of international standard and relevance to the global demands of the nature-based tourism and recreational fishing market</td>
<td>Training providers, employers, industry and commerce chambers, unions, NGOs, commerce chambers, counseling providers and other relevant education, training and certification entities in partnership with SPO and other entities</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Enhance kindergartens and nursery services through development, support, rehabilitation, and provision of equipment to increase access to early childhood education and care (ECEC)</td>
<td>Schools, TAUs, NGOs, education inspectorates</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Bring early school leavers back to school through school after school and second chance programs</td>
<td>Schools, TAUs, NGOs, education inspectorates</td>
<td>L</td>
</tr>
<tr>
<td>Asia 6</td>
<td>Create partnerships between employers, E&amp;T providers, and research bodies to ensure a better performance of the education system in addressing labor market needs</td>
<td>Employers, E&amp;T providers, research bodies, NGOs</td>
<td>L</td>
</tr>
</tbody>
</table>
## Interventions that can be financed through NRDP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures 6</td>
<td>Modernization of facilities for collection / processing / marketing of agricultural produce</td>
<td>Farmers / Cooperatives / Producer groups / Enterprises</td>
<td>M</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Modernization of technical endowment of farms</td>
<td>Farmers / Cooperatives / Producer groups</td>
<td>L</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Modernization / rehabilitation of irrigation infrastructure</td>
<td>Farmers / Cooperatives / Producer groups / water users associations or federations</td>
<td>M</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Take-up of farming activities by young generations</td>
<td>Individuals</td>
<td>M</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Consolidation and modernization of small farms</td>
<td>Farmers / Cooperatives / Producer groups</td>
<td>M</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Creation of small businesses outside agriculture</td>
<td>Individuals</td>
<td>L</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Conservation of local patrimony and traditions (including handicrafts)</td>
<td>Individuals, NGOs, SMEs</td>
<td>L</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Fostering organic farming activities in the Delta region</td>
<td>Individuals / Farmers / Cooperatives / Producer groups</td>
<td>M</td>
</tr>
<tr>
<td>Measures 7</td>
<td>Afforestation of agricultural and non-agricultural land in the Danube Delta region</td>
<td>Individuals / Farmers / Territorial-Administrative Units (TAUs)</td>
<td>L</td>
</tr>
<tr>
<td>Measures 7</td>
<td>Modernization of rural infrastructure (water, sanitation, roads, schools, etc.) which includes among others the following interventions: Provide support towards VET schools that are relevant, attractive and inclusive, and which produce a workforce with knowledge and skills of international standards and relevance to the global demands of the nature-based tourism and recreational fishing market. &lt;This intervention is fully described in axis 10 of ROP&gt;</td>
<td>Communes and their associations according to the national legislation in force. NGOs – for investments in the educational (kindergarten) and social (nurseries and after-school infrastructure) infrastructure</td>
<td>M</td>
</tr>
<tr>
<td>Measures 19</td>
<td>Bottom-up initiatives for local development</td>
<td>Local Action Groups (DALs), including public authorities, NGOs and SMEs</td>
<td>L</td>
</tr>
<tr>
<td>Measures 19</td>
<td>Encouraging energy efficiency and renewable energy uses &lt;Component of the Climate Change Partnership&gt;</td>
<td>Private companies, Public authorities, NGOs</td>
<td>L</td>
</tr>
</tbody>
</table>

## Interventions that can be financed through FMAOP

<table>
<thead>
<tr>
<th>OP Axis</th>
<th>Type of intervention</th>
<th>Beneficiary</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures 6</td>
<td>Support transition from commercial capture to recreational fishing</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Improve ecotourism venues to accommodate the needs of recreational fisheries</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Promote and provide training in sustainable recreational fishing (catch-and-release fishing etc.)</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Fishery shelters with berthing facilities to support traditional commercial fishing activity</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Breeding station for local fish species to sustain and restore populations of declining wild species (perch, pike, wild carp, crucian carp, etc.)</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 6</td>
<td>Developing the recreational / sports fisheries areas, including related camping facilities</td>
<td>FLAGS</td>
<td>H</td>
</tr>
<tr>
<td>Measures 5</td>
<td>Improve aquaculture</td>
<td>Aquaculture units</td>
<td>L</td>
</tr>
<tr>
<td>Measures 5</td>
<td>Support small scale fish processing</td>
<td>Producer organisations, private enterprises</td>
<td>L</td>
</tr>
<tr>
<td>Measures 5</td>
<td>Diversity home and village-level fish processing by introducing small scale canning units (for Gibel carp and other low-value fish like roach and bream) and improve small scale smoking systems (smoking bags or small electric smokers) mainly to produce delicacies to visiting tourists</td>
<td></td>
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</tr>
</tbody>
</table>
ANNEX 7.
How to set up an Urban/Metropolitan Development Funds

Steps to implement an Urban/Metropolitan Development Funds

1. Evaluation of UDF implementation, commissioned by the EIB
2. ROP review and amendment process (introducing repayable support for integrated urban development)
3. Conclusion of funding agreement (containing Holding Fund investment strategy) between the MA and the EIB, establishing the Holding Fund and the EIB as the Manager.

In Poland, the Managing Authority used a Holding Fund that was responsible for selecting, funding and monitoring the performance of UDFs. The EIB was appointed as the Holding Fund manager and UDFs were selected in a tender procedure, with one lot covering support to region's major cities, and another for other cities and towns.32
4. European Commission’s decision approving the amended ROP to foster FDU projects
5. EIB scoping study – regional market analysis, identifying potential projects and UDF candidates
7. Preparing the UDF’s selection procedure.
8. Beginning of UDFs selection procedure – the EIB opened the call for expression of interest for potential managers
9. UDF selection decisions: The Holding Fund manager’s (EIB) selection of UDFs took place via a competitive procedure, with an invitation for expressions of interest and was based on evaluation of UDF business plan proposals. The most important criteria were the strategy, the institutional capacity to manage the UDF, experience in supporting development investments and additional funding for the proposed UDF.
10. Conclusion of operational agreement between the Holding Fund and the UDF

The UDF has a decision-making body in the form of an Investment Committee / Board, whose tasks include granting final acceptance on signature of investment agreements. An important governance arrangement is UDF’s monthly and quarterly performance reporting to the EIB as the Holding Fund manager.
11. Implementation of the first FDU-based projects as pilot projects to be followed by the metropolitan/urban areas of Romania

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32 Case study - Urban Development Fund in Pomeranie, EIB, 2015 (Source: https://www.fi-compass.eu)
Advantages of UDF implementation for the 2021-2027 Programming Period

UDFs can provide increased financial and socio-economic efficiency of investments in the public sector. Implementing a JESSICA model-based UDF instrument has the following advantages:

1. **Gaining first-hand experience:** establishing and implementing EIB-managed Holding Fund and a pilot UDF would provide an ideal opportunity for local authorities to develop the ability to manage loan mechanisms in a revolving fund structure, with an experienced private sector partner (such as a bank).

2. **Financial leverage:** attracting additional public and private resources for urban infrastructure development in the metropolitan area, supplementing the initial grant funding for projects complying with ROP measures and focusing on integrated urban development projects, but not covered through traditional sources of funding.

3. **Revolving nature of funds:** profitability of projects is required for the repayment of financing, while maintaining a social focus on the needs of the local community. Historical buildings, brownfields, parts of cities that would require investments in regeneration are sources of high socio-economic value, generating financial surplus which is returned to the UDF and used to finance other financially viable projects with a high social impact.

4. **Mentality and attitude shift in public institutions:** previously dealing only with the distribution of grants towards cost-efficiency, generation of income from investments, and becoming more open to private investors as partners, due to the repayable nature of the complementary financing.

5. **Promoting an integrated, strategic focus for urban development policies:** the UDF selected projects are required to fall under an integrated urban development strategy with social impact in the region, with regional authorities managing structural funds more efficiently.

6. **UDF implementation does not raise level of public debt and can contribute to reducing it:** legal limitations related to public indebtedness level do not apply in the context of UDFs (JESSICA models). As such, loans/guarantees to ensure pre-financing and/or co-financing of projects benefiting from the external non-reimbursable EU funds are exempted from the 30% limit on the total annual debt. According to the JESSICA Evaluation Study, clarifications provided by the norms of application for the Local Public Finance Law no. 273/2006 also preclude loans contracted/guaranteed by local authorities through a JESSICA mechanism from the 30% limit.35

7. **Capacity of local public administration to provide equity, loan guarantees and other non-grant financing:** Furthermore, in terms of equity or in-kind contribution, the administrative territorial units can approve collaborative support or associations for the development of local public works and services. They can decide to:
   - participate with equity or in-kind contributions to create commercial enterprises or public interest services (at local or county level).
   - participate in the name and interest of the represented communities with equity or in-kind contributions to create community development associations that could implement development projects of area or regional interest.36

8. **Financial leverage:** attracting additional public and private resources for urban infrastructure development in the metropolitan area, supplementing the initial grant funding for projects complying with ROP measures and focusing on integrated urban development projects, but not covered through traditional sources of funding.

9. **Revolving nature of funds:** profitability of projects is required for the repayment of financing, while maintaining a social focus on the needs of the local community. Historical buildings, brownfields, parts of cities that would require investments in regeneration are sources of high socio-economic value, generating financial surplus which is returned to the UDF and used to finance other financially viable projects with a high social impact.

10. **Mentality and attitude shift in public institutions:** previously dealing only with the distribution of grants towards cost-efficiency, generation of income from investments, and becoming more open to private investors as partners, due to the repayable nature of the complementary financing.

11. **Promoting an integrated, strategic focus for urban development policies:** the UDF selected projects are required to fall under an integrated urban development strategy with social impact in the region, with regional authorities managing structural funds more efficiently.

12. **UDF implementation does not raise level of public debt and can contribute to reducing it:** legal limitations related to public indebtedness level do not apply in the context of UDFs (JESSICA models). As such, loans/guarantees to ensure pre-financing and/or co-financing of projects benefiting from the external non-reimbursable EU funds are exempted from the 30% limit on the total annual debt. According to the JESSICA Evaluation Study, clarifications provided by the norms of application for the Local Public Finance Law no. 273/2006 also preclude loans contracted/guaranteed by local authorities through a JESSICA mechanism from the 30% limit.35

13. **Capacity of local public administration to provide equity, loan guarantees and other non-grant financing:** Furthermore, in terms of equity or in-kind contribution, the administrative territorial units can approve collaborative support or associations for the development of local public works and services. They can decide to:
   - participate with equity or in-kind contributions to create commercial enterprises or public interest services (at local or county level).
   - participate in the name and interest of the represented communities with equity or in-kind contributions to create community development associations that could implement development projects of area or regional interest.36

Main challenges of UDF Implementation during the 2021-2027 programming period

1. **Overcoming lack of operational experience related to investment funds of local, as well as central authorities in charge of programming for the next financial exercise.**

2. **The technical setup of urban development funds,** particularly the process of learning and understanding the financial mechanisms by the key stakeholders (local authorities and communities, central authorities, management authority, private actors) is one of the main challenges to UDF implementation in Romania. The partners must develop a thorough understanding of the processes, create urban investment cycle suitable strategies, integrated plans, projects and project portfolios and co-operate with MA’s to incorporate them into the relevant OPs in order to fund them through JESSICA-like financial instruments.

3. **Shifting the perception of EU funding away from awarding grants, towards being utilized in a more cost-efficient and income generating way.**

4. **Lack of developed practice and dedicated legislation for private-public partnerships (PPPs) appears to be one of the most important challenges for ensuring the success of an UDF.**

   - According to the JESSICA Evaluation Study performed in 2010
   - Public-Private Partnerships and Legal Frameworks Public-Private and Public-Public Partnership mechanisms are both widely used across the EU as possible UDF structures for deploying JESSICA model-based investment funds.

   However, ‘under Romanian ROP regulations for 2007-2013, PPPs were not eligible for implementation under a UDF, as the applicant for structural funds must be a public sector organization. This reality, combined with a lack of experience using PPPs in Romania, present both opportunities and challenges for ensuring the success of establishing a UDF’. Further according to the evaluation study, ‘Financial instruments implementation has to first be preceded by amendment of current OP regulations to allow PPP mechanisms between local authorities and private operators to act as JESSICA UDFs. This reality, combined with a lack of experience using PPPs in Romania, present both opportunities and challenges for ensuring the success of establishing a UDF’.35

   The current lack of developed practice and dedicated legislation for PPPs appears to be one of the most important challenges for ensuring the success of an UDF. According to the workings of the URBACT Local Support Group in Brasov GP the private investors have expressed that ‘there is no real culture of partnership and mutual confidence between the public authorities, private sector and banks; public-private partnerships are known but not a very popular practice; due to the past failures; consultation and cooperation with local government is more often only for façade’ and local governments reaffirmed this apprehension, but the remedied the need to first be preceded by amendment of current OP regulations to allow PPP mechanisms between local authorities and private operators to act as JESSICA UDFs. This reality, combined with a lack of experience using PPPs in Romania, presents both opportunities and challenges for ensuring the success of establishing a UDF’.

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   Therefore, according to the evaluation study, ‘Financial instruments implementation has to first be preceded by amendment of current OP regulations to allow PPP mechanisms between local authorities and private operators to act as JESSICA UDFs. This reality, combined with a lack of experience using PPPs in Romania, present both opportunities and challenges for ensuring the success of establishing a UDF’.35

5. **Lack of stability related to legislative changes.**

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33 JESSICA Evaluation Study for the Brasov Region (Romania) – Final Report. December 2010, p. 29
34 JESSICA Evaluation Study for the Brasov Region (Romania) – Final Report. December 2010, p. 29
35 JESSICA Evaluation Study for the Brasov Region (Romania) – Final Report. December 2010, p. 8
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