



European
Commission

Scenarios for Integrated Territorial Investments

EUROPEAN COMMISSION

Directorate-General for Regional and Urban Policy
Directorate H — Inclusive Growth, Urban and Territorial Development and Northern Europe
Unit H.1 — Competence Centre: Inclusive Growth, Urban and Territorial Development

Contact: *Judit Törökné Rózsa*

E-mail: *REGIO-H1-URBAN-TERRITORIAL@ec.europa.eu*

*European Commission
B-1049 Brussels*

Scenarios for Integrated Territorial Investments

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(* The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

Luxembourg: Publications Office of the European Union, 2015

© European Union, 2015

Reproduction is authorised provided the source is acknowledged.

Photos

P34, 70 (bottom), 85 (bottom) © Thinkstock

P52, 70 (top), 85 (top) © European Union

Printed in Belgium

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

PRINTED ON TOTALLY CHLORINE-FREE BLEACHED PAPER (TCF)

PRINTED ON RECYCLED PAPER

PRINTED ON PROCESS CHLORINE-FREE RECYCLED PAPER (PCF)

Preface

Integrated Territorial Investment (ITI) is a new tool introduced in the Common Provision Regulation (CPR) for use during the European Structural and Investment Funds (ESIF) programming period. Its aim is to make it easier to run territorial strategies that need funding from different sources. ITI also promotes a more local or 'place-based' form of policy making.

On examining approved programmes, it is clear that Member States, regions and cities want to make use of this tool. Article 36 of the CPR does not precise how an ITI should be set up, which is in stark contrast to existing Articles on Community-led local development (CLLD).

This lack of guidance offers flexibility but might also lead to uncertainty. Various questions come to mind such as: What should a territorial strategy look like? How can different funds be combined? How should a delegation be structured? And how can outputs and results be measured?

There is a common misinterpretation that ITI is simply a technical tool that funds projects in the same territory without any thought given to the situation on the ground. We aim to counter this misinterpretation by describing what an integrated territorial approach could look like when implementing the Europe 2020 strategy.

To illustrate the process from A to Z, the second part of this document will set out four scenarios, each describing how ITI can be used in practice. These scenarios will clarify ITI's link to several provisions in the relevant regulations and at the same time underline its relevance to the wider concept of an integrated territorial approach.

This report was prepared by Martijn De Bruijn, European Commission, and Piotr Zuber, expert, under the supervision of Wladyslaw Piskorz and Judit Törökné Rózsa. The authors would like to thank the members of the Steering Group for their comments and suggestions and ICF Mostra for language editing. The authors are especially grateful for the insights and comments of Jacek Zaucha (University of Gdansk), Marlène Siméon and Serafin Pazos-Vidal (CEMR), Adela Spulber (MOT), Richard Harding (expert) and Arno van der Zwet (University of Strathclyde).

Table of Contents

INTRODUCTION	14
1. NEW CHALLENGES NEED NEW SOLUTIONS.....	14
2. BACKGROUND TO AN INTEGRATED TERRITORIAL APPROACH	14
3. THE ROLE OF AN ESIF INTEGRATED TERRITORIAL APPROACH.....	16
4. ITI STIMULATING A GENUINE TERRITORIAL INTEGRATED APPROACH	17
5. THE ADDED VALUE OF ITI.....	19
6. STEPS TOWARDS A SUCCESSFUL ITI.....	20
7. CONTENT OF THE FOUR ITI SCENARIOS.....	20
SCENARIO 1. METROPOLIS X.....	23
1. SETTING THE SCENE.....	23
1.1. <i>The case of Metropolis X</i>	23
1.2. <i>Framework conditions</i>	24
1.3. <i>Cooperation among authorities and other development partners</i>	24
1.4. <i>Experience with EU funding</i>	24
1.5. <i>Structure of the EU funded programmes</i>	25
1.6. <i>Rationale and aims of the integrated approach</i>	25
2. SOME ASSUMPTIONS	25
2.1. <i>The strategy</i>	26
2.2. <i>Delegating tasks</i>	26
3. SETTING UP AN ITI	26
3.1. <i>The covenant</i>	27
3.2. <i>Secretariat, Steering Committee and Advisory group</i>	27
4. PREPARING THE METROPOLITAN STRATEGY AND THE ITI'S CONTENT PROPOSAL	28
4.1. <i>Role of the territorial strategy</i>	28
4.2. <i>Steps taken to develop the strategy</i>	28
4.3. <i>Preparing the ITI's content</i>	29
5. DEFINING THE SCOPE OF AN ITI	30
5.1. <i>Drafting an ITI implementation plan</i>	30
5.2. <i>Level of financing, participating funds, OPs and priority axes</i>	30
5.3. <i>Specific TOs, expected results, actions and guidelines for selection criteria</i>	31
5.4. <i>Coordination with other tools and programmes</i>	32
6. TASKS PERFORMED BY THE METROPOLITAN AUTHORITY	34
6.1. <i>Delegation of tasks</i>	35
6.2. <i>Selecting projects</i>	36
6.3. <i>Conflict of interest</i>	36
6.4. <i>Providing information to beneficiaries</i>	36
7. MONITORING AND REPORTING	37
7.1. <i>Monitoring, reporting and evaluation</i>	37
7.2. <i>Performance Framework</i>	37
7.3. <i>Urban Development Network</i>	38
8. MANAGEMENT AND CONTROL REQUIREMENTS.....	38

9.	SEVEN YEARS ON	39
SCENARIO 2. SUB-REGION Z		40
1.	SETTING THE SCENE	40
1.1.	<i>The case of sub-region Z</i>	40
1.2.	<i>Territorial needs and challenges</i>	40
1.3.	<i>Framework conditions</i>	41
1.4.	<i>Cooperation among authorities and other development partners</i>	41
1.5.	<i>Experience with EU funding</i>	42
1.6.	<i>Structure of the EU funded programmes</i>	42
1.7.	<i>Rationale and aims of the integrated approach</i>	42
2.	SOME ASSUMPTIONS	43
2.1.	<i>Legal basis is Article 36 of the CPR</i>	43
2.2.	<i>Delegation of functions</i>	43
3.	SETTING UP AN ITI	44
3.1.	<i>Stages of programming and establishing the ITI</i>	44
3.2.	<i>Signing the Declaration</i>	44
3.3.	<i>Role of RDA and sub-region Z development committee</i>	45
4.	UTILISING THE EXISTING STRATEGY AND PREPARING THE ITI IMPLEMENTATION PLAN	45
4.1.	<i>Role of the territorial strategy</i>	45
4.2.	<i>Preparing the proposal for the ITI's content</i>	46
5.	DEFINING THE SCOPE OF AN ITI	46
5.1.	<i>Content of the ITI implementation plan</i>	46
5.2.	<i>Level of financing, participating funds, programmes and priority axes</i>	46
5.3.	<i>Specific objectives, territorial expected results, actions and guidelines for the selection criteria</i>	47
5.4.	<i>Coordination between ITI and CLLD</i>	48
6.	TASKS PERFORMED BY THE REGIONAL AUTHORITY AND THE RDA	52
6.1.	<i>Managing the ITI</i>	52
7.	MONITORING AND REPORTING	54
7.1.	<i>Defining management and implementation procedures</i>	54
8.	MANAGEMENT AND CONTROL REQUIREMENTS	55
9.	SEVEN YEARS ON	56
SCENARIO 3. DISTRICT Y: A DEPRIVED URBAN AREA		57
1.	SETTING THE SCENE	57
1.1.	<i>The case of District Y</i>	57
1.2.	<i>Territorial challenges and potential</i>	58
1.3.	<i>Framework conditions</i>	58
1.4.	<i>Cooperation among local authorities and development partners</i>	59
1.5.	<i>Experience with EU-funding</i>	59
1.6.	<i>Structure of the EU funded programmes</i>	59
1.7.	<i>Rationale and aims of the integrated approach</i>	59
2.	SOME ASSUMPTIONS	60
2.1.	<i>Legal basis: Article 7 of the ERDF Regulation</i>	60
2.2.	<i>The strategy</i>	60
2.3.	<i>Delegation of functions</i>	61

3.	SETTING UP AN ITI	61
3.1.	<i>The Memorandum of Understanding (MoU)</i>	62
4.	THE USE OF THE EXISTING STRATEGY	63
4.1.	<i>Role of the territorial strategy</i>	63
4.2.	<i>Preparing the ITI revitalisation plan</i>	63
5.	DEFINING THE SCOPE OF AN ITI	64
5.1.	<i>Discussing the content of the ITI</i>	64
5.2.	<i>Funds, programmes and priority axes. Level of co-financing</i>	64
5.3.	<i>Specific objectives, expected results, actions and guidelines for the selection criteria</i>	65
5.4.	<i>The role of CLLD in developing District Y</i>	65
5.5.	<i>Coordination with other tools and programmes</i>	68
6.	MANAGING AND IMPLEMENTING TASKS PERFORMED BY THE UA	71
6.1.	<i>Delegating tasks from the MAs to City Z</i>	71
6.2.	<i>Providing information to beneficiaries</i>	71
6.3.	<i>An open project pipeline</i>	72
6.4.	<i>Assessing and selecting project proposals</i>	72
7.	MONITORING AND REPORTING	74
7.1.	<i>Monitoring, reporting and evaluation</i>	74
7.2.	<i>Performance Framework</i>	74
7.3.	<i>Urban Development Network</i>	74
8.	MANAGEMENT AND CONTROL REQUIREMENTS	75
9.	SEVEN YEARS ON.	75
	SCENARIO 4. TWIN CITIES	77
1.	SETTING THE SCENE	77
1.1.	<i>The case of a city divided</i>	77
1.2.	<i>Territorial needs and challenges</i>	77
1.3.	<i>Framework conditions</i>	78
1.4.	<i>Structure of EU funded programmes</i>	78
1.5.	<i>Rationale and aims of the integrated approach</i>	78
2.	SOME ASSUMPTIONS	79
2.1.	<i>Article 36 CPR and Articles 11 and 12 ETC</i>	79
2.2.	<i>Geography and strategy</i>	79
3.	SETTING UP AN ITI	79
3.1.	<i>The Joint Steering Committee and EGTC</i>	80
4.	THE USE OF THE EXISTING STRATEGY	81
5.	DEFINING THE SCOPE OF AN ITI	81
5.1.	<i>Drafting an ITI implementation plan</i>	81
5.2.	<i>Specific TOs, expected results, programme structure</i>	81
5.3.	<i>Actions included in the ITI implementation plan</i>	83
6.	MANAGING AND IMPLEMENTING TASKS PERFORMED BY THE EGTC	85
6.1.	<i>Providing information to beneficiaries</i>	87
6.2.	<i>Developing selection criteria</i>	87
6.3.	<i>Calls for proposals included in the ITI</i>	87

6.4.	<i>Receiving applications</i>	87
6.5.	<i>Assessing and selecting project proposals</i>	87
7.	IMPLEMENTING, MONITORING AND REPORTING	88
7.1.	<i>Management and implementation procedures</i>	88
8.	PERFORMANCE FRAMEWORK AND MANAGEMENT AND CONTROL REQUIREMENTS	88
9.	SEVEN YEARS ON	88

List of used abbreviations

CLLD	Community-Led Local Development
CPR	Common Provisions Regulation
CSF	Common Strategic Framework
EAFRD	European Agricultural Fund for Rural Development
EGTC	European Grouping of Territorial Cooperation
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	European Territorial Cooperation
FLAG	Fisheries Local Action Group
IB	Intermediate Body
IGJ	Investment for Growth and Jobs (IGJ)
ITI	Integrated Territorial Investment
LAG	Local Action Group
LEADER	"Liaison Entre Actions de Développement de l'Économie Rurale", meaning 'Links between the rural economy and development actions'
MA	Managing Authority
NGO	Non-Governmental Organisation
OP	Operational Programme
PA	Partnership Agreement
RDA	Regional Development Agency
TO	Territorial Objective
SFC	System for Fund Management of the EU
UA	Urban Authority
UDN	Urban Development Network

Abstract

The integrated territorial approach is a relatively new way of policy making in which the needs and potential of a given place are the starting point. Elements of this approach have been included in the 2014-2020 period of cohesion policy, most visibly through the introduction of Integrated Territorial Investments. This report explains the rationale behind this new tool and describes possible set-ups for a metropolitan, urban-rural, deprived neighbourhood and a cross-border ITI. These scenarios are not necessarily models to follow; nor do they represent the only possible way for implementation. In practice, existing national arrangements, capacity of local stakeholders and available funding are important determining factors. The aim of the scenarios is to help with execution and to serve as an inspiration for Member States, regions and cities.

Introduction

1. NEW CHALLENGES NEED NEW SOLUTIONS

The European Union (EU) needs to face challenges differently, using new policies. The European Council acknowledged this need in 2010 when it adopted the EU's strategy for smart, sustainable and inclusive growth (Europe 2020)¹ and its subsequent adoption in December 2013 of the legislative package for the 2014 – 2020 EU budget. This policy shift has resulted in a new focus on EU priorities, more efficient and effective interventions, intensive cross-cutting dialogue between stakeholders and a more integrated approach to development.

These changes are clearly visible in cohesion policy, which has been significantly reformed. It now focuses more on results and how to achieve the European-wide objectives defined in Europe 2020.

Today, we see an integrated territorial approach to cohesion policy, which involves exploiting the development potential of various territories by using multiple sources of financing.

Recital 18. CPR: “Member States and regions increasingly face challenges that relate to the impact of globalisation, environmental and energy concerns, population ageing and demographic shifts, technological transformation and innovation demands, and social inequality. It should be possible to combine ESI Funds into integrated packages which are tailor-made to fit specific territorial needs”.

2. BACKGROUND TO AN INTEGRATED TERRITORIAL APPROACH

The concept of an integrated territorial approach is well documented and has been the subject of policy recommendations from various international organisations, including the OECD, World Bank and the European Commission. In his 2009 report for the Commission, Fabricio Barca² argued that an integrated territorial (or place-based) approach should be used to revitalise cohesion policy, helping the EU reach its economic and social objectives. Specifically, Barca called for a “place-based development strategy aimed at both core economic and social objectives”.

¹ Europe 2020. A Strategy for smart, sustainable and inclusive growth: Communication from the Commission of 3 March 2010, COM (2010) 2020.

² F. Barca, An Agenda for a Reformed Cohesion Policy. A Place-Based Approach to Meeting European Union Challenges and Expectations. DG REGIO, 2009.

What is Barca's definition of a place-based policy? A long-term strategy aimed at tackling persistent under utilisation of potential and reducing persistent social exclusion in specific areas through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes".

The main focus of a place-based policy is on the effective use of each territory's potential. This guarantees long-term socio-economic benefits both for the local population and others living within a certain radius of the territory in question. The approach involves close dialogue and cooperation between institutions and actors operating at different management levels. It also combines external know-how and resources with local assets in a way that eliminates or decreases the threat of domination by any of the partners. Tailoring public policies to the needs on the ground should bring long-lasting effects to the local population. It should also help to achieve both European and national goals thanks to the proper use of locally rooted development factors like infrastructure, governance culture or climate.

However, improving the effectiveness of public policies via a territorial approach is not easy. Barriers can include a bureaucratic administrative culture or a lack of leadership. As shown in Barca's report and other studies,³ an effective approach to territorial development requires a rethink of how policy objectives are defined at European, national, regional and sub-national levels. It also needs a comprehensive system of programming, governance and management.

The territorial agenda of the EU⁴ identifies major opportunities and challenges relating to territorial development:

- more exposure to globalisation and structural changes caused by the global economic crisis;
- new challenges for European integration and growing interdependence of regions;
- diverse demographic and social challenges, and spatial segregation of vulnerable groups;
- climate change and environmental risks;
- energy challenges;
- loss of biodiversity, vulnerability of natural, landscape and cultural heritage.

³ J.Zaucha, D.Świątek, Place Based Territorially Sensitive and Integrated Approach, Warsaw 2013

⁴ Territorial Agenda of the European Union 2020. Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions. Agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development. 19th May 2011 Gödöllő, Hungary

These issues all require integrated solutions that a place-based approach to policy making can deliver.

3. THE ROLE OF AN ESIF INTEGRATED TERRITORIAL APPROACH

The architecture of the reformed cohesion policy is based on territorial objectives (TOs) directly related to the Europe 2020 strategy goals. In parallel, the CPR also recognises the role that an integrated territorial approach plays in achieving these goals. This role is clarified in the Common Strategic Framework (CSF)⁵ that sets common strategic objectives for all the ESI funds.

Section 6.1 of CSF: “Member States shall take account of geographic or demographic features and take steps to address the specific territorial challenges of each region to unlock their specific development potential, thereby also helping them to achieve smart, sustainable and inclusive growth in the most efficient way”⁶.

This clearly echoes Barca’s call for a place-based approach to policy making. In addition, the CSF states that European challenges can have different impacts on territories. There is therefore a need for different policy responses at national, regional and local level.

A place-based approach can generally be applied effectively in any EU territory. However, some areas have been identified as being in particular need of such an approach due to the kinds of challenges they are facing, such as a low population count or their location.

Section 6.5 of CSF: “In order to take into account the objective of territorial cohesion, the Member States and regions shall ensure that the overall approach to promoting smart, sustainable and inclusive growth in the areas concerned:

- (a) reflects the role of cities, urban and rural areas, fisheries and coastal areas, and areas facing specific geographical or demographic handicaps;*
- (b) takes account of the specific challenges of the outermost regions, the northernmost regions with a very low population density and of island, cross border or mountain regions;*
- (c) addresses urban rural linkages, in terms of access to affordable, high quality infrastructure and services, and problems in regions with a high concentration of socially marginalised communities”.*

The ESI funds offer the tools to address these key territorial opportunities and challenges in an integrated manner.

⁵ Common Strategic Framework forms Annex 1 of CPR

⁶ CPR, Annex 1, Common Strategic Framework, Section 6. 1

The Commission has provided guidance on arrangements for territorial development⁷ that summarises key aspects of the ESI fund regulations, which are as follows:

- the territorial approach is present in all ESI fund regulations and is a requirement for the content of the Partnership Agreement (PA) (Article 15.1 and 15.2 CPR) and OP (Article 96. 3 and 96.4 CPR);
- all ESI Funds can be used in integrated packages at local, regional or national level through the use of territorial integrated instruments such as Community-led Local Development (CLLD) and Integrated Territorial Investments (ITI);
- sustainable urban development is promoted through an allocation of at least 5 % of European Regional Development Fund (ERDF) resources for this purpose.

Other Articles refer to this territorial approach:

- the creation of an urban development network or UDN (Article 9 of the ERDF regulation) to promote capacity-building, networking and exchange of experience at EU level between urban authorities and authorities responsible for innovative actions in the area of sustainable urban development;
- monitoring and reporting progress on the integrated approach to territorial development (Articles 52.2.e and 111.4 CPR);

4. ITI STIMULATING A GENUINE TERRITORIAL INTEGRATED APPROACH

The CPR has introduced a new tool designed to implement integrated territorial strategies called ITI. For the purpose of legal clarity, the territorial approach is defined as the financing of urban or other territorial strategies through combined investments from more than one priority axis of one or more programmes.

This definition has a narrower practical meaning than the definition of a place-based approach from Barca, but this wider concept should be taken into account when using ESI Funds. Territorial strategies co-financed from various ESI Funds should belong to various priority axes and should ideally be interlinked. Crucially, they should aim at developing specific assets of the territory concerned.

The guidance document: 'Integrated Territorial Investment' explains the programming elements of the ESI fund regulations that relate to ITI. It focuses on four aspects:

- ITI must relate to the territory in question;
- it must be financed by the ERDF, ESF or the cohesion fund;
- it can be drawn from at least two different priority axes of one or more OPs;

⁷ <http://europa.eu/!xg74tD>

- it can be complemented by using the European Agricultural Fund for Rural Development (EAFRD) and/or the European Maritime and Fisheries Fund (EMFF).

The use of the ITI mechanism should be included in the PA to ensure the integrated use of ESI funds at national level and be relevant to the content and objectives of a specific OP.

In a programme supported by the ESF, ERDF or the cohesion fund, it is necessary to describe how the ITI instrument will be used in the context of sustainable urban development. It is also required to set out an indicative financial allocation from each priority axis and, in the case of EAFRD or EMFF, the actions that will take place as a result of this funding. As regards rural development and fisheries programmes that support ITI, the indicative financial allocation and actions shall be set out in these programmes.

ITI can be applied to any territory. One can assume, however, that the priority areas mentioned in the CSF are appropriate and relevant. This idea is reinforced in the ETC regulation that opens up the possibility for using ITI in co-operation programmes.

The clear connection between ITI and sub-regional areas can be seen in Articles 36.3 and 36.4 of the CPR.

Article 36.3 CPR: The Member State or the Managing Authority (MA) may designate one or more intermediate bodies, including local authorities, regional development bodies or Non-Governmental Organisations, to carry out the management and implementation of an ITI in accordance with the fund-specific rules.

Delegation fits the idea that ITI can shift part of the management and implementation to a level appropriate for running urban or territorial strategies, thereby strengthening local engagement⁸.

In addition, Article 36.4 CPR stresses the importance of monitoring operations and states that outputs are of a priority axis or action, contributing to an ITI.

It is important to note that ITI can be used as both an instrument for promoting integrated actions for sustainable urban development, and as a tool for supporting integrated approaches in any other type of territory. When a Member State or region decides to undertake sustainable urban development through ITI, the requirements of Article 7 ERDF refine some elements of Article 36 CPR.

⁸ See further details on delegation of tasks in section 2.2 of the EGESIF's guidance on Sustainable Urban Development http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_sustainable_urban_development_en.pdf

The underlying urban strategy should set out integrated actions that tackle the economic, environmental, climate, demographic and social challenges affecting the area in question:

- At national level, at least 5 % of ERDF resources should be allocated to sustainable urban development;
- Delegation is not optional. Cities, sub-regional or local bodies responsible for implementing sustainable urban strategies should at least be responsible for tasks relating to the selection of operations.

5. THE ADDED VALUE OF ITI

ITI can offer immediate added value in programming. It can result in a more efficient implementation of territorial strategies by improving coordination between ESI funds.

From a more strategic perspective, ITI can also increase administrative capacity to deal with integrated territorial development at the level most appropriate for carrying out urban and territorial strategies. If the ITI increases the role of local authorities, NGOs and other sub-national bodies involved in managing and implementing ESI Funds, this could, in the longer term, help to widen capacities for conducting territorial development through:

- preparing integrated strategies where they do not exist;
- promoting territorial dialogue;
- developing coordination with other local, regional and national strategies;
- introducing a multilevel governance system;
- promoting partnership with territorial development stakeholders such as local governments, other public bodies, business, NGOs and representatives of local community groups;
- bringing about experimentalism and flexibility;
- encouraging more effective management and implementation of public policies;
- building monitoring and evaluation capacity, etc.

All this could increase the effectiveness and efficiency of cohesion policy and help deliver the Europe 2020 goals. And in the words of Mr Barca, this will have a long lasting effect by improving the effectiveness of all public policies in a given country, region or territory.

6. STEPS TOWARDS A SUCCESSFUL ITI

The Article on ITI doesn't contain much detail on how an ITI should be set-up. On the one hand, there is the common sense approach of what should be done first, while on the other hand, there are several other requirements in the regulation that should be respected concerning such issues as programme design, indicators and monitoring.

What follows in this document are four ITI scenarios. Each scenario comprises several sub-chapters that explain the steps that ideally should be taken to be effective:

1. Preparation – The parties involved should first agree that an ITI is the right path to follow. The first chapter therefore describes the challenges and potential of the territory concerned, whether there is a history of cooperation, the capacity of the local authorities and why going with an ITI would make sense. This could ultimately lead to some sort of agreement⁹ between the stakeholders to start the process;
2. Define the scope – The next step is to agree on the scope of the ITI. It starts by developing a territorial strategy that addresses the challenges and potential of the area. A plan should also¹⁰ clarify the role the ITI and other potential investments will play in implementing the strategy. Chapters 2, 3, 4 and 5 are dedicated to this issue;
3. Decide on management – Who will do what is the next crucial question. Which tasks will be delegated? How will the coordination between funds work in practice? Structures and procedures might need to be set up. This process is described in chapter 6;
Implementation – once everything is in place, the ITI can start. This phase is not only about selecting and funding projects but also about monitoring, reporting and evaluating results. This is discussed in chapters 7, 8 and 9.

7. CONTENT OF THE FOUR ITI SCENARIOS

Four model scenarios are described; each with a different context. The aim is to show the widest possible scope for the use of ITIs. In doing so, the scenarios are in a way ideal as they show combinations that might not be used so often in programming. The Commission is aware that many ITIs in Europe use at least several

⁹ Named covenant, memorandum of understanding, declaration in the scenarios

¹⁰ This is named ITI implementation plan or ITI revitalisation plan in the scenarios

elements described in this document. The scenarios will therefore make reference to these examples in footnotes.

These scenarios are not necessarily models to follow; nor do they represent the only possible way for implementation. In practice, existing national arrangements, capacity of local stakeholders and available funding are important determining factors. The aim of the scenarios is to help with execution and to serve as an inspiration for Member States, regions and cities. The flexible nature of the ITI tool allows for the creation of new ITI s over the course of the programming period, especially during the 2017 mid-term review.

Each model scenario is presented as a short story that follows the steps from chapter 6, while emphasising specific actions. This should allow the reader to quickly find elements that he or she can apply to his or her own situation. A summary of each scenario is given in the table on the next page.

	Metropolis X	Sub-Region Z	District Y	Twin Cities
Territorial challenge	Metropolitan cooperation	Strengthen urban-rural linkages	Develop a deprived neighbourhood	Foster cross-border integration
Strategy development	Competitive selection of metropolitan strategy & implementation plan	ITI implementation plan based on sub-regional strategy	Revitalisation plan based on city strategy	ITI implementation plan based on EGTC twin city strategy
Scope	ERDF/ESF OP + other programmes	ERDF, EAFRD and EMFF programmes	ERDF and ESF OPs	ETC and ERDF programmes
Management structures	Secretariat, Steering Committee and Advisory group	Regional authority, Development Committee, RDA	Steering Committee, District Y Task-Force	Joint Steering Committee, EGTC
Delegation of tasks	Minimum 'selection of operations' delegation	No delegation below regional level	Delegation to City Z	Delegation of other tasks to EGTC
Coordination	Links with investments from other sources	Links with CLLD	Links with city policy and CLLD	No links beyond involved programmes
Implementation	Calls for proposal	Calls for proposal	Open project pipeline and a negotiated project	Calls for proposal
Monitoring and reporting	Prepared by Secretariat and discussed in monitoring committee.	Prepared by RDA and discussed in MCs and national advisory committee.	Prepared by task force, discussed in monitoring committees.	Yearly discussion between EGTC and JSC
Intermediate Body	Metropolitan authority is intermediate body	No intermediate body	City Z is intermediate body	EGTC is intermediate body

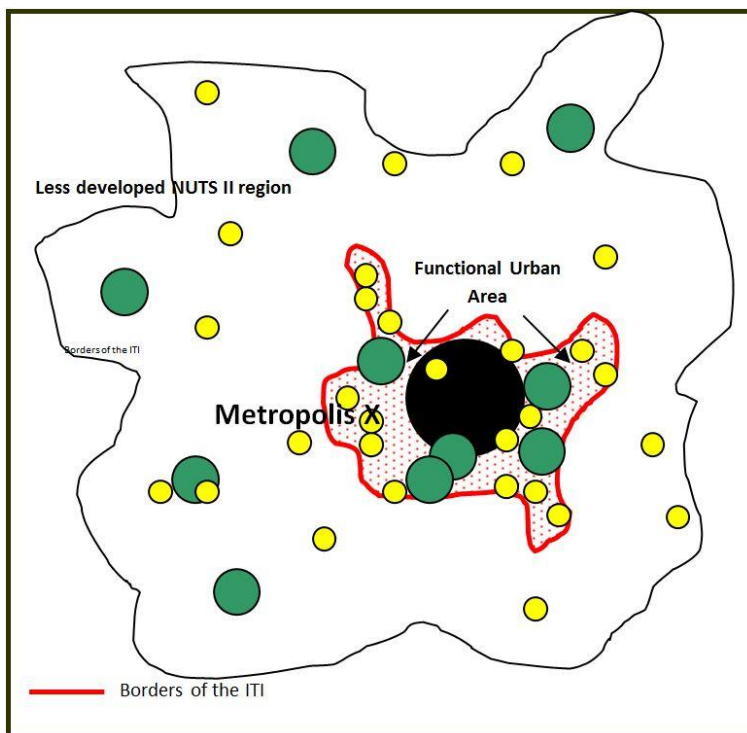
Scenario 1. Metropolis X

1. SETTING THE SCENE

1.1. *The case of Metropolis X*

This scenario describes the case of Metropolis X: a metropolitan functional urban area encompassing a medium-sized city centre and a greater functionally dependent area under its direct influence (diagram 1.1). Although this metropolis functions as one single labour market, the administrative structure is divided between the various municipalities, often with competing interests. Metropolis X is located in the less developed NUTS II region.

Diagram 1.1: The case of Metropolis X



Metropolis X has a young and dynamic population. It houses important services such as a university and a hospital, is an important business centre and already contributes significantly to the national economy. However, Metropolis X also faces several challenges as a result of a lack of metropolitan governance:

- despite high levels of GDP, a developed labour market and a well-educated workforce, many high skilled workers migrate to the capital. Metropolis X scores poorly in attracting new investment and there is a mismatch on the labour market;

- an uneven distribution of essential public services and infrastructure leads to a concentration of business activities in the city centre and some other quarters, resulting in congestion, bad air quality and urban sprawl;
- despite functioning as one urban area, there is a fragmented system of policy-making, involving dozens of local authorities, which leads to competition rather than cooperation.

1.2. Framework conditions

The city centre and its surrounding municipalities make their own legally binding development strategies and spatial development plans. These form the basis of investment in infrastructure, housing, industry, commerce, the environment, recreational areas and so on. Nevertheless, a strategy for the sustainable spatial development of the entire Metropolis X does not exist, often leading to competition between municipalities to attract investment.

1.3. Cooperation among authorities and other development partners

Despite this gap, the municipalities have worked together to resolve some issues under their direct competence, including transport upgrades in the agglomeration and works on a solid waste collection and treatment system. In general however, there is no overall system of cooperation and coordination at the metropolitan level. Local authorities often compete with each other for resources and projects coming from regional and national level. Moreover, the involvement of NGOs and business in development activities is organised independently, only focusing on specific municipal strategies and projects.

1.4. Experience with EU funding

Metropolis X is located in a less developed NUTS II region, which receives substantial EU funding for its infrastructure needs, especially in the areas of transport, the environment, and energy efficiency supporting infrastructure.

As SME support, innovation, R&D, and ESF co-financed schemes have been traditionally offered through national programmes, municipalities don't have much experience in building coordination systems between infrastructure projects, and soft measure such as improving human resources or enhancing innovation.

1.5. Structure of the EU funded programmes

For the 2014-2020 period, the Member State in which Metropolis X is located runs OPs for regional development, managed by its regions. The country also has thematic programmes focusing on transport and the environment, managed at national level. The regional OPs are funded by both the ERDF and ESF.

In order to implement Article 7 of the ERDF regulation on sustainable urban development, the MA of the regional OP has invited three cities in the region to come up with integrated strategies for their metropolitan areas. On fulfilling certain criteria, these strategies could be implemented through setting up ITIs¹¹.

1.6. Rationale and aims of the integrated approach

The MA and the many municipalities of Metropolis X saw an urgent need for better governance in order to tackle the challenges facing the metropolis. The ITI tool was seen as a catalyst to:

- create and run a joint strategy for the entire functional area of the metropolis;
- strengthen cooperation between public authorities and other partners;
- encourage functional integration to Metropolis X;
- enhance its sustainable socio-economic development¹².

2. SOME ASSUMPTIONS

The legal basis for ITI is Article 7 of the ERDF Regulation, which goes further than Article 36 of the CPR that only defines what ITIs are. According to Article 7:

- Member States must establish principles for selecting urban areas for integrated actions;
- any strategy should set out integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting the urban area, while taking into account the need to promote urban-rural linkages;
- UAs responsible for implementing the sustainable urban strategy should be responsible for selecting operations.

By inviting the three cities to create their own urban strategies in line with Article 7, the MA wanted to ensure that the municipalities of Metropolis X were engaged in the process and would present a high quality urban

¹¹ A competitive selection of ITIs is used in several French regions.

¹² Many ITIs in EU-13 such as those in Poland, Latvia, Czech Republic have similar aims.

strategy. This would also guarantee that Metropolis X would have sufficient administrative capacity to play an active role in the management of EU funds.

The MA requested an urban strategy for the entire functional area of Metropolis X, while asking each municipality to also think beyond EU-funding. The selection criteria were as follows:

- a comprehensive and high quality integrated urban strategy for the functional area in line with the requirements of Article 7;
- a strategy supported by all municipalities and a number of important stakeholders;
- a detailed yet realistic proposal for implementation.

2.1. The strategy

This invitation, coupled with the offer of funding, convinced some of the more reluctant municipalities to start work. Despite each municipality having its own development strategy, an integrated way forward for the entire functional urban area was lacking. Creating such a combined strategy was therefore the first step.

2.2. Delegating tasks

The municipalities in Metropolis X have already been successful in using EU funds and are committed to developing the metropolitan strategy, while Article 7 of ERDF states that the UA is responsible for selecting operations. Despite this, the municipalities lack experience in managing EU funds.

The Member State therefore agreed to delegate only small tasks from the MA to the UA as required in the ERDF regulation, while at the same time stimulating the UAs to participate actively in such tasks as preparing selection criteria and assessing projects. More details on this can be found in Chapter 6.

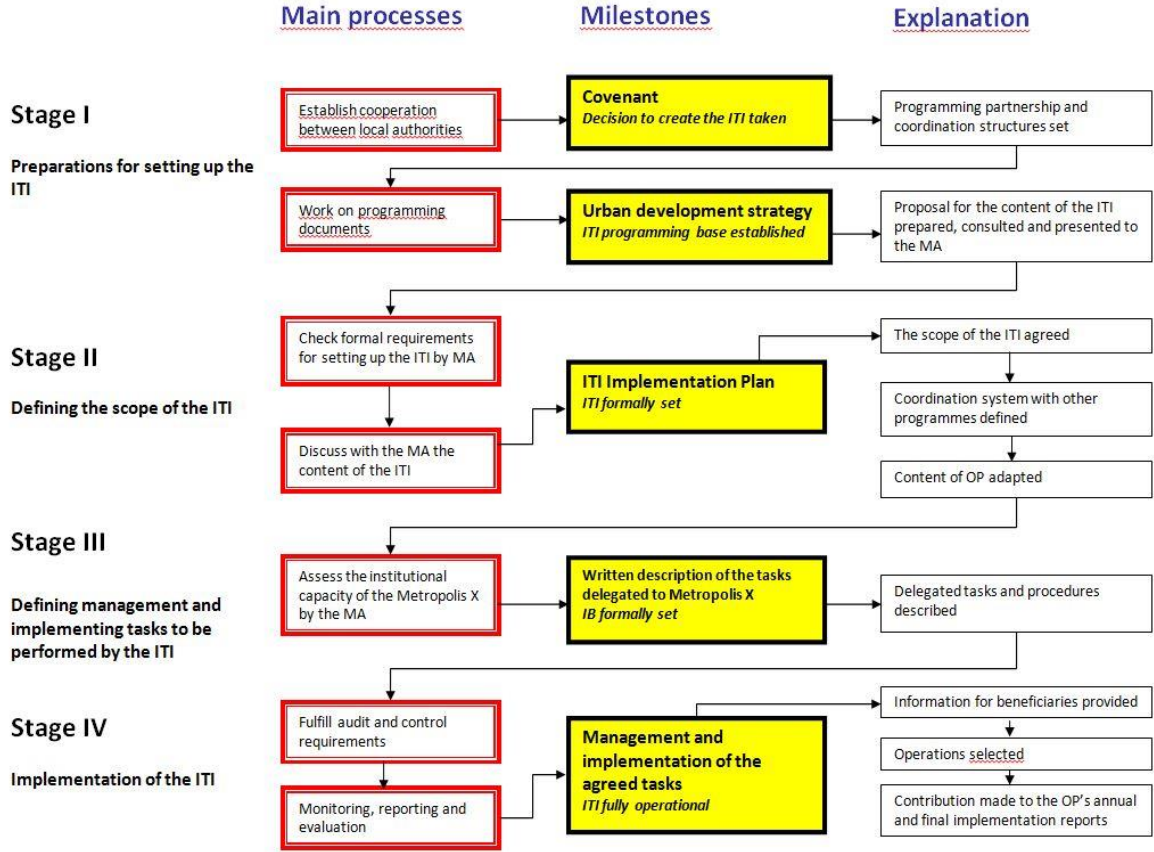
3. SETTING UP AN ITI

To set up an ITI quickly and correctly, the MA and the municipalities agreed to follow several steps:

- Both sides signed a written agreement before drafting the integrated urban strategy;
- On accepting this strategy, the MA devised an ITI implementation plan;
- After assessing the institutional capacity of the metropolitan authority, the MA outlined tasks to be delegated;
- After setting up the necessary structures and procedures, the ITI commenced.

The following flow diagram explains these steps visually.

Diagram 1.2: Metropolis X - stages leading to the establishment of the ITI



3.1. The covenant

Each municipality signed a so-called “covenant” to encourage effective cooperation and ensure the correct division of tasks and responsibilities. The covenant formally established the metropolitan authority, meeting the requirement of an UA as set out in Article 7 of the ERDF. This metropolitan authority comprised a secretariat, steering committee and an advisory group. Each municipality worked together to prepare an integrated strategy for the entire functional urban area, while developing a proposal for the ITI’s content.

3.2. Secretariat, Steering Committee and Advisory group

A secretariat was established as a separate unit of the city’s administration to act on behalf of the metropolitan authority X. The city and the other municipalities all contributed financially. Costs relating to developing the metropolitan strategy, launching calls, organising project selection and monitoring progress of implementation - so called administrative costs, were financed by Technical Assistance of the regional OP. Various municipal civil servants worked within the structure of the secretariat.

The secretariat was charged with coordinating and supporting all the involved municipalities and other stakeholders such as NGOs and business representatives from Metropolis X. It also represented the metropolis to external partners including national and regional administrations as well the MAs. Finally, the secretariat took care of drafting the metropolitan strategy and proposed content for the ITI.

Decisions on the secretariat's proposals were taken by the metropolitan steering committee, which comprised all local authorities in Metropolis X. In order to involve other public and private stakeholders such as NGOs, representatives of the business community as well as national and regional representatives, an advisory group made up of experts in the field advised the steering committee.

4. PREPARING THE METROPOLITAN STRATEGY AND THE ITI'S CONTENT PROPOSAL

4.1. *Role of the territorial strategy*

From the outset, Metropolis X's local authorities wanted the urban development strategy to be a comprehensive and strategic document for the whole functional area, going beyond the use of EU funds. The strategy therefore provided a strategic framework for the integrated use of European and other funds to meet its objectives related to pre-identified territorial needs and challenges. The strategy also served the purpose of a platform for integrating and harmonising individual municipalities' plans to meet key development goals. These goals were agreed by all municipalities and development partners and reflected the needs and challenges of Metropolis X. They also needed to be in line with European, national and regional policies. The strategy included details on sources of finance, a timeline as well as an implementation plan.

4.2. *Steps taken to develop the strategy*

To prepare the strategy, a working group comprising representatives from the city's authorities, municipalities, national and regional authorities, academic institutions, NGOs and the business community was established. Citizens were also informed of developments via various workshops and information sessions. All logistics and the work plan were entrusted to the secretariat.

The strategy was developed in several stages:

3. The starting point was preparing an analysis of the needs and challenges facing the metropolis. This process took the form of workshops involving citizens, external experts, regional and national authorities, NGOs, the business community and other development partners. The result took the form of a SWOT analysis. Based on this analysis, a list of priorities and key projects that could help in achieving the strategic goals of the entire metropolitan area was developed. The major challenge at this

stage of the process was not to focus on individual municipalities but to concentrate on the needs and potential common to the whole area, which were identified as follows:

- untapped potential for growth and employment;
- unsustainable spatial distribution of infrastructure;
- flawed system of delivering essential public services;
- lack of cooperation between partners.

4. The second step was to formulate objectives in order to tackle these needs and potential. Strategic objectives and expected results together with supporting indicators and targets were defined in a way that required integrated actions. The major challenge here was to prepare objectives for the whole territory of Metropolis X, which were cross-cutting and not purely sectoral. These objectives also related directly to genuine territorially rooted issues. Taking into account the above needs and potential, the following list of objectives and priorities were agreed:

- the effective use of existing human, institutional and spatial potential;
- sustainable, efficient and cost effective delivery of public services;
- to embrace energy efficiency and protect the environment;
- better cooperation between local authorities and development partners.

5. The next step was to formulate an integrated system of delivery. Priorities and sources of financing were defined; potential tools were identified, including the use of ITIs¹³. The ITI's priority areas were then set out, taking into account the strategy's objectives and the nature of the mechanism. It was agreed that the strategy should include various actions from different priority axes and ensure a territorial perspective and cooperation between partners.

6. The final step involved designing an effective system of implementation, coordination, monitoring, internal control and evaluation.

4.3. *Preparing the ITI's content*

Once the metropolitan strategy was approved by the steering committee, the secretariat developed a proposal for the ITI's content. This proposal was prepared following a stringent consultation process, which took place within the functional urban area of Metropolis X. It included feedback from public administrations, academia,

¹³ As one of the catalysts for the preparation of the Metropolis X's strategy was the possibility to use the ITI mechanism, it was possible to describe implementing arrangements in detail in the strategy itself. In the situation in which a territorial strategy already exists, instead of updating the whole strategy, it would be more logical to prepare an operational complement, indicating the priority areas and actions implemented in the form of integrated territorial approach (or for ITI directly). This, together with a territorial strategy itself, should serve as a strategic basis for the implementation of the ITI.

civic society, business and the general public. The process spurred discussion about the development needs and potential of Metropolis X and resulted in many proposals for concrete actions and territorially rooted projects.

The ITI document recommended using funding from ERDF and ESF as well as from various OPs. It also proposed actions, objectives and performance indicators. The final document was then presented to the MA of the regional multi-fund OP as the official response to the invitation.

5. DEFINING THE SCOPE OF AN ITI

5.1. *Drafting an ITI implementation plan*

The MA was pleased with the commitment and work undertaken by Metropolis X. The criteria needed to develop an integrated urban strategy were clearly met. To follow-up, the Member State, two MAs as well as metropolitan authority X studied the proposal, looking in detail at available funds and the conformity of the proposed actions.

Following this, the MA created an ITI implementation plan.

The plan set out the most important programming elements of the ITI:

- level of financing, participating funds, OPs and priority axes;
- specific objectives of the OP to be included in the ITI,
- projected territorial results, actions and guidelines for selection criteria;
- coordination with other elements in the OP.

The plan also outlined the structures and procedures needed for the duration of the ITI. See chapter 6 for details on these.

5.2. *Level of financing, participating funds, OPs and priority axes*

In the end, the scope of activities under the ITI for Metropolis X was reduced due to funding limitations and to better focus on the most important themes of the overall metropolitan development strategy. In order to keep the implementation process as simple as possible, it was agreed to only use the regional multi-fund OP (co-financed by ERDF and ESF) as a funding source. By selecting ERDF and ESF funded priority axes, it was still possible to combine hard and soft investments.

5.3. Specific TOs, expected results, actions and guidelines for selection criteria

The ITI executed a part of the metropolitan strategy. In other words, it only set out to achieve a limited number of the strategy's objectives. In the ITI implementation plan, three specific objectives were defined that related directly to the needs of the whole metropolitan area. Each objective defined expected and measurable results. Under the OP structure, actions under the ITI could either take place under a specific objective that was exclusively dedicated to the ITI, or fall under a broader specific objective that could also be reached by actions in other areas. The table below shows how this was achieved in the case of Metropolis X.

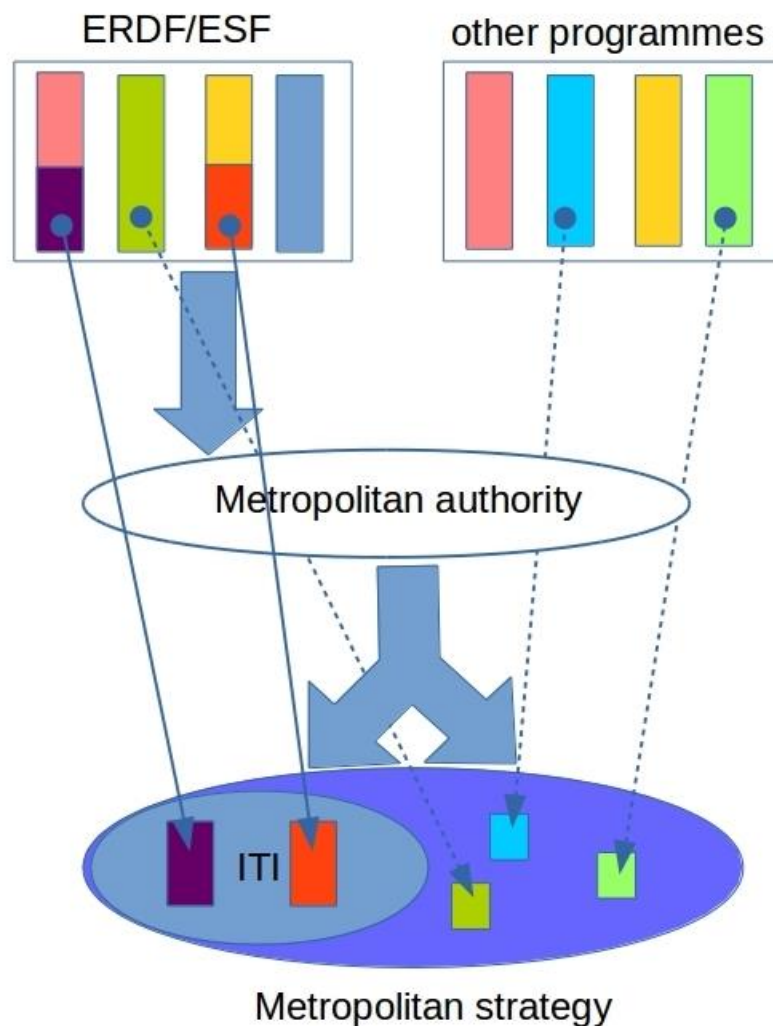
Table 1.1: Specific TOs, corresponding needs, expected results and programme structure

Specific territorial objective	Corresponding needs or challenges	Expected results	Programme structure
Promotion of multimodal shift, contributing to the creation of an efficient and environmentally friendly system of public transport in Metropolis X (ERDF)	Uneven distribution of essential public services, congestion, bad air quality and urban sprawl, low investment attractiveness	Number of private cars for daily commuting decreased	Specific objective for ITIs
Improving the energy efficiency and environmentally friendly use of the Metropolitan space (ERDF)	Low investment attractiveness	Energy consumption in the Metropolis decreased	Specific objective for ITIs
Optimise the system of pre-school and primary education (ERDF, ESF)	Uneven access to essential public services like health and education. Help reduce urban sprawl and congestion and at the same time address problems among vulnerable groups.	Access to pre-school education increased throughout the whole functional area Disparities in quality of primary education decreased	Actions under specific horizontal objectives under ERDF and ESF priority axes

5.4. Coordination with other tools and programmes

The ERDF and ESF allocations earmarked for the ITI represented only a part of the investment needed to implement the metropolitan strategy. Other actions could be funded by other priority axes from the regional multi-fund OP, from the national OP Infrastructure and Environment, other European programmes like Life+ or Horizon 2020 and regional or national funding sources. Examples of these actions include connecting the area to the TEN-T network, regenerating brownfields or enhancing the capacity of local authorities to deal with territorial development and cooperation. The diagram below shows that the metropolitan strategy was broader than what can normally be financed from EU funds. It also illustrates that EU financing outside the ITI was used to implement the overall strategy.

Diagram 1.2: The role of the ITI in the metropolitan strategy ¹⁴



¹⁴ Polish ITIs tend to use a multi-fund OP combined with investments from other programmes.

The table below shows how the strategy, its funding, capacity and programme set-up were translated into the chosen priority axes and investment priorities of the multi-fund regional OP. The ITI included TO 4 (financed by ERDF) and TO 10 (financed by ERDF and ESF) with the following actions identified:

Table 1.2: The content of the ITI for Metropolis X

Priority axis TO	Investment priority	Specific objective	Actions
PA 1 (ERDF) TO 4	4.5 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;	Promoting the multimodal shift, contributing to the creation of the efficient and environmentally friendly system of public transport in Metropolis X;	<ul style="list-style-type: none"> - preparing integrated transport plan for Metropolis X; - introducing the park-and ride system; - creating system of bicycle paths; - financing joint system of traffic management; - support for other projects to decrease congestion and improve connections between different modes of transport;
PA 1 (ERDF) TO 4	4.3 Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;	Improving the energy efficiency and environmentally friendly use of the metropolis;	<ul style="list-style-type: none"> - preparing an energy efficiency plan; - Metropolis X programme for improving energy efficiency of public buildings;-
PA 2 (ERDF) TO 10	10.1 investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure;	Improving system of pre-school and primary education;	<ul style="list-style-type: none"> preparing a plan for educational and pre-school services, - investing in pre-school and educational infrastructure according to the plan;
PA 5 (ESF) TO 10	10.1 Reducing and preventing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training.	Enhancing system of pre-school and primary education.	<ul style="list-style-type: none"> - skills development and training for employees of the pre-school and primary educational system.

The picture below shows the network of bicycle paths and a new primary school that was financed within the framework of the ITI.



6. TASKS PERFORMED BY THE METROPOLITAN AUTHORITY

As described previously, the secretariat of the metropolitan authority played an important role in organising and developing the integrated strategy for Metropolis X. The actual ESIF strategy for Metropolis X - the ITI implementation plan – was in fact, produced by the MA, and the secretariat was subsequently closely involved in the ITI’s implementation.

6.1. Delegation of tasks

The MA delegated various tasks to the metropolitan authority, making it an intermediate body. The extent of delegation was formally recorded in writing by the MA, who in turn assessed the existing structures and procedures of the metropolitan authority that were directly related to the delegated tasks. Although this obligation to delegate only related to the ERDF, the MA also delegated the same tasks from the ESF for the purpose of consistency. The table below gives an overview of the division of tasks.

Table 1.3: Delegation of tasks for the ITI for Metropolis X

	ERDF/ESF OP		Metropolitan authority		
	Managing Authority	Monitoring Committee	Secretariat	Steering Committee	Advisory Committee
Metropolitan strategy			R	A	I
ITI implementation plan	A		I	I	
Selection criteria	I	A	I		
Preparation of calls	R		I		
Launch of calls	R				
Information to beneficiaries	R		I		
Collection of applications	R				
Assessment of operations	I		I		R
Selection of operations	I			A	
Eligibility check	R				
Signature of grant contract	R				
Checks, financial control	R				
Monitoring progress	R		I		
Evaluation of the ITI	R		I		

R = responsible I = involved A = approval

The MA did not select the actual projects to be funded. It did however define selection criteria, provide information to beneficiaries, launch calls, assess projects, and monitor each project's progress. It also carried out financial controls and checks, including on the spot visits.

Although the metropolitan authority was not formally in charge of the ITI implementation plan, it took an active role in some actions crucial for realising the plan's urban development strategy. These included defining selection criteria for projects and providing information to beneficiaries. Experts designated by the Steering Committee also helped monitor and evaluate these actions.

6.2. *Selecting projects*

The CPR states that the selection of operations involves several steps. Key to this process is the urban authority (UA) truly linking projects to the metropolitan strategy, using complete information.

A first crucial step was setting out selection criteria. These criteria followed the metropolitan strategy and the OP guidelines for the selection of operations under specific objectives in the regional OP. The MA developed the criteria in close cooperation with the secretariat of the metropolitan authority. The decision on which selection criteria to use, was taken by the monitoring committee of the regional OP.

The second step was the assessment of operations. This was done by the advisory committee and involved a broad range of stakeholders. At this stage, the MA also checked the eligibility of the project proposals.

The actual selection of projects was carried out by the steering committee of the metropolitan area based on recommendations made by the advisory committee, therefore meeting the requirements of Article 7 of the ERDF Regulation. Once this process was complete, the MA and the beneficiary signed the grant contract.

6.3. *Conflict of interest*

In order to avoid any conflict of interest, each expert signed a 'no conflict of interest' declaration. If there were even a potential conflict of interest, the expert concerned would not have been allowed to participate in the project's assessment. The same procedure was followed by members of the steering committee in the event of a project being proposed by one of the municipal administrations.

6.4. *Providing information to beneficiaries*

To provide potential beneficiaries with clear information on the OP's content, the metropolitan strategy, the ITI implementation plan and requirements relating to the quality and eligibility of projects, the metropolitan authority, in agreement with the MA, set up an ITI information office. The specific role of this office was to advise on how to prepare integrated projects that met the objectives of the ITI implementation plan. The office was part of a broader network of information offices established by the MA for the regional OP. Its tasks included:

- connecting potential beneficiaries with institutions in order to transform ideas into project proposals;
- advising on sources of financing.

7. MONITORING AND REPORTING

7.1. *Monitoring, reporting and evaluation*

To build administrative capacity, prepare and conduct local monitoring of development trends and policies, the secretariat worked closely with the local branch of the national statistics office, MAs and national authorities responsible for urban and territorial policy.

The secretariat monitored progress on:

- the metropolitan development strategy;
- the ITI implementation plan.

Measuring the progress of the ITI implementation plan for Metropolis X was important for monitoring both the metropolitan strategy and the entire regional OP. It helped gauge progress and results, while tracking the effectiveness of the territorial integrated approach in relation to the objectives of the Europe 2020 strategy and PA. Monitoring was also important to ensure that at least 5 % of ERDF would be spent on integrated actions for sustainable urban development.

The reference points for monitoring were results and output indicators, established in the ITI implementation plan and relevant parts of the OP. Monitoring was carried out based on data and reports provided by the MA. The secretariat prepared annual reports on progress and expected results, which were then discussed within the regional OP's monitoring committee.

7.2. *Performance Framework*

The MAs were required to carefully assess the annual reports under the parameters of the performance framework. Milestones and targets under the performance framework at the level of the OP priority axes were measured as a part of the overall OP monitoring system, which was organised according to thematically oriented priority axes and investment priorities. The report on the implementation of the ITI for Metropolis X therefore helped detect and explain factors influencing milestones and targets set up at OP level.

There were no evaluation projects planned under ITI. However the secretariat was consulted for developing the evaluation plan and participated in an evaluation working group.

7.3. Urban Development Network

Under Article 9 of the ERDF regulation, the Commission established an Urban Development Network (UDN). This network supports urban authorities that are implementing Article 7 of ERDF regulation or participating in innovative actions in the sustainable urban development field. The UDN will help cities to realise the full potential of Article 7 and Article 8 and prevent any errors occurring in the implementation phase. The UDN also develops the integrated approach to urban development, creates a platform for knowledge exchange among cities and fosters capacity building. Using technical assistance from the regional ERDF OP, one member of the secretariat participated in a UDN meeting and a site visits to another city. These contacts with cities that had a larger experience in managing European funding proved very useful for setting up practical arrangements in the secretariat.

8. MANAGEMENT AND CONTROL REQUIREMENTS

The requirements for an Intermediate Body (IB) that manages an ITI under ESIF rules are essentially the same ones applicable to other IBs, insofar as these requirements relate to the functions delegated by the MA to the specific IB for the ITI. For Metropolis X, this concerned the assessment and selection of operations.

It is important to remember that the MA has overall responsibility for the delegated tasks. This means that even if it can choose to entrust some tasks to Metropolis X, it cannot delegate overall responsibility for ensuring that they are properly carried out. Therefore the MA, in its supervisory capacity, should obtain assurance that Metropolis X carried out the assessment and selection of operations correctly. Since both ERDF and ESF funding was involved, it was particularly important to have clear selection and eligibility rules from the start, to reduce the risk of misinforming the beneficiaries and discovering irregularities due to unclear rules. To this end the MA provided Metropolis X with guidance, manuals and check-lists on how to correctly assess and select operations. Given the lack of experience of the secretariat's staff in the management of funds, the MA also organised specialist training sessions. After the selection of operations by Metropolis X the MA checked the eligibility of these operations and whether Metropolis X had indeed followed the procedures correctly.

Technical Assistance of the regional OP covered the administrative tasks linked to the ITI executed by the secretariat of Metropolis X. It was therefore important to clearly allocate all the secretariat's tasks and costs. In particular because the civil servants did not work full-time for the secretariat and various administrative and logistical costs were shared with other services of the involved municipalities.

Existing guidance documents provide further information on management and control arrangements, such as the Guidance for Member States on Integrated Sustainable Urban Development (Article 7 ERDF Regulation)¹⁵ and the Guidance for Member States on Management Verifications¹⁶

9. SEVEN YEARS ON

The metropolitan ITI was ambitious with important allocations and many different stakeholders involved. As this cooperation was a first, the design of the strategy and the ITI implementation plan took some time, but coordination by the ITI's secretariat proved efficient. Many different projects were implemented that improved the public transport system and the provision of services. The successes of these investments were widely acknowledged by citizens.

In one area, the investments needed were not as big as initially estimated. However, these funds were reallocated to two other urban ITIs in the region. All that was needed was to notify the Commission of this change because these transfers did not imply reallocations between priority axes.

The impetus given by the MA in using ITI as an incentive for better co-operation was important. After the municipalities began working together on a joint metropolitan strategy, they soon started to see the benefits of the metropolis as one entity. A joint marketing plan was soon developed and an increasing number of metropolitan events were organised. In other areas, the municipalities in the metropolitan areas also started to work more together.

From a management point of view, the organisation of calls within the ERDF/ESF regional OP worked very well but some areas for improvement were identified regarding complementarity with investments from other sources. Potential investments were sometimes awarded to beneficiaries in other areas, metropolitan beneficiaries were not always aware of their calls, the timing of the calls did not always suit the timeline of the metropolitan strategy, etc.

Despite initially being considered as costly by some parties, the metropolitan authority was in the end a key factor in the successful development of Metropolis X. Establishing a secretariat, advisory board and steering committee made sense because the available budget for projects was considerable. In a situation with less funding, the management would need to adapt accordingly.

¹⁵ EGESIF_15-0010-01, of 18/05/2015, available at: <http://europa.eu/!ct38BX>

¹⁶ EGESIF_14-0012_final 08/07/2015, available at: <http://europa.eu/!tg64TV>

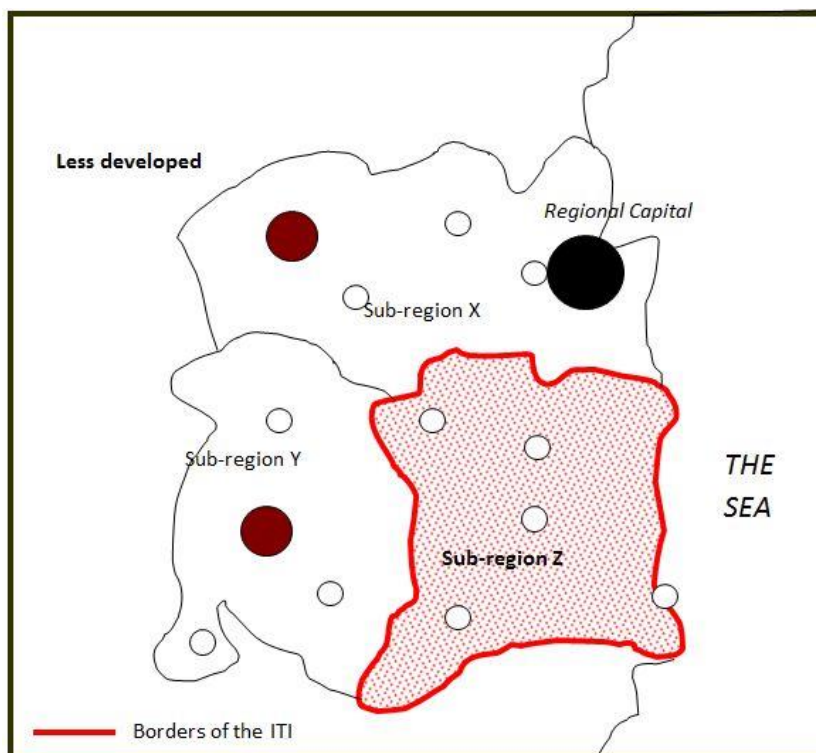
Scenario 2. Sub-region Z

1. SETTING THE SCENE

1.1. *The case of sub-region Z*

The second scenario describes the case of sub-region Z (NUTS III level), which is part of a less developed NUTS II region. Sub-region Z is a predominantly rural area with a long coastline and a well-developed fishing industry. The sub-region also has several smaller towns.

Diagram 2.1: The case of Sub-region Z



1.2. *Territorial needs and challenges*

Sub-region Z is a peripheral, less developed and predominantly rural area with limited prospects for growth and employment. Without a strategic restructuring of its economic assets and the un-tapping of its potential, it will be impossible to effectively address the development challenges and improve the quality of life of its residents. The small towns have limited industrial and manufacturing capability and despite a steady decrease in employment in the agricultural sector over the past 20 years, it does however provide a substantial source of income for more than 15 % of the sub-region's population. The main challenges facing sub-region Z are as follows:

1. a restructuring of the agriculture sector and a lack of employment opportunities has led to much of the young labour force migrating, dampening the sub-region's growth capacity;
2. access to essential public services is low, reducing any prospects for growth;
3. the migration of young people has led to various social problems such as poverty and a non-active older population.

The sub-region does however have important natural and cultural heritage and its towns are considered attractive places to live but this potential is not taken advantage of. A lack of inward investment and a short holiday season hampers the chances of generating income from these obvious assets for the local population.

Despite this, people in the sub-region want to change things for the better, which can be seen in the high number of small-scale initiatives taking place. These initiatives could lead to real change if the weak administrative capacity of the sub-region's municipalities could be addressed. Their instability has led to:

- a. weak rural-urban linkages;
- b. rural and urban issues being addressed separately;
- c. competition between local authorities for financial support;
- d. low-skilled employees;
- e. a lack of cooperation with potential development partners.

1.3. *Framework conditions*

The NUTS II region in which sub-region Z is located has its own comprehensive territorial development strategy in place. The strategy addresses the socio-economic and territorial development issues, including those in rural and fishing-dependent areas. It also identifies the needs, objectives and priorities to tackle the problems and to exploit the potential of the region, while taking into account the characteristics of the three sub-regions. In this regional strategy, the specific situation of sub-region Z is addressed in a separate chapter. The local urban and rural authorities and citizens helped elaborate development strategies for the region and sub-region Z.

1.4. *Cooperation among authorities and other development partners*

Cooperation between authorities on development issues was apparent during the planning phase and the implementation of the sub-regional development strategy. A lot of development activities have been organised top-down by national or regional authorities without much involvement from local authorities. The municipalities and regional authorities co-own the Regional Development Agency (RDA) that manages the regional development strategy.

1.5. Experience with EU funding

The entire NUTS II region and its municipalities have traditionally been beneficiaries of EU support for their infrastructure needs, especially in the areas of the environment and transport infrastructure. The regional authorities managed the regional OP funded by the ERDF. In addition, municipalities received support for a number of environmental and cultural heritage projects of local importance and for part of their social and education infrastructure.

Substantial support has been available for rural areas from the European Agricultural and Rural Development Fund (EAFRD), and this has helped small-scale infrastructure projects, environmental prevention measures, and the diversification of agricultural production to include agro-tourism. The European Maritime and Fisheries Fund EMFF has helped modernise the fishing industry and supported the economic restructuring of the small ports along the coast. A number of Liaison Entre Actions de Développement de l'Économie Rurale (LEADER) Local Action Groups (LAG) and Fisheries Local Action Groups (FLAG) have played an important role in local development. Support from the rural and fisheries funds have been delivered through national schemes.

1.6. Structure of the EU funded programmes

For the 2014-2020 period, the Member State has planned one ERDF-funded regional OP covering sub-region Z, and two national programmes financed by the EAFRD and the EMFF.

1.7. *Rationale and aims of the integrated approach*

In order to achieve long lasting change in sub-region Z, it was crucial to develop its potential in an integrated way by promoting:

- better linkages between the towns and rural and coastal areas,
- closer links with actions under the EU funds,
- stronger links with the municipalities, the local population and the regional and national authorities.

Local authorities from sub-region Z agreed with this approach but wanted guidance and leadership from the regional authorities. In this context, an integrated approach coupled with the ITI instrument were considered the best tools to achieve the following goals:

- execute the sub-regional strategy through coordinated actions co-financed by various ESI Funds;

- build the capacities of local partners by working jointly on solving common problems and exploiting the development potential in an innovative and creative manner.¹⁷

2. SOME ASSUMPTIONS

2.1. *Legal basis is Article 36 of the CPR*

As the ITI was set up for the rural sub-region Z, it fell under the category of a non-urban ITI. It was therefore not regulated by Article 7 of the ERDF Regulation, but by Article 36 of the CPR. The ITI in sub-region Z is based on the sub-regional territorial development strategy required by this Article. The principles for establishing ITIs dedicated to peripheral, predominantly rural sub-regions (at NUTS III or functional level) have been defined in the PA. Despite the fact that in the described case, there is no legal requirement to earmark funds for these ITIs, it was decided to devote at least 20 % of the regional ERDF OP to the ITI's implementation. In order to increase the coherence and effectiveness of public policies in achieving territorial development goals, the Member State permitted the use of EAFRD and the EMFF in these ITIs.

The PA also offers the option of extending CLLD under the ERDF, in addition to the already existing EAFRD and EMFF funded LAGs.

2.2. *Delegation of functions*

As the municipalities of sub-region Z had limited administrative capacity, the ITI was seen as a coordination tool that would increase the efficiency of the ESI Funds. Programme management responsibilities were therefore not delegated to the level of sub-region Z. Hence, the management of the ITI remained at the level of the regional authorities in charge of managing the regional ERDF OP. Additionally, in order to meet the territorial needs in a more coordinated manner, the Member State delegated all tasks relating to the national rural development and fisheries programmes to regional level. This way, the regional authorities, working closely with the municipalities and other institutions, could control, coordinate and implement the actions effectively.

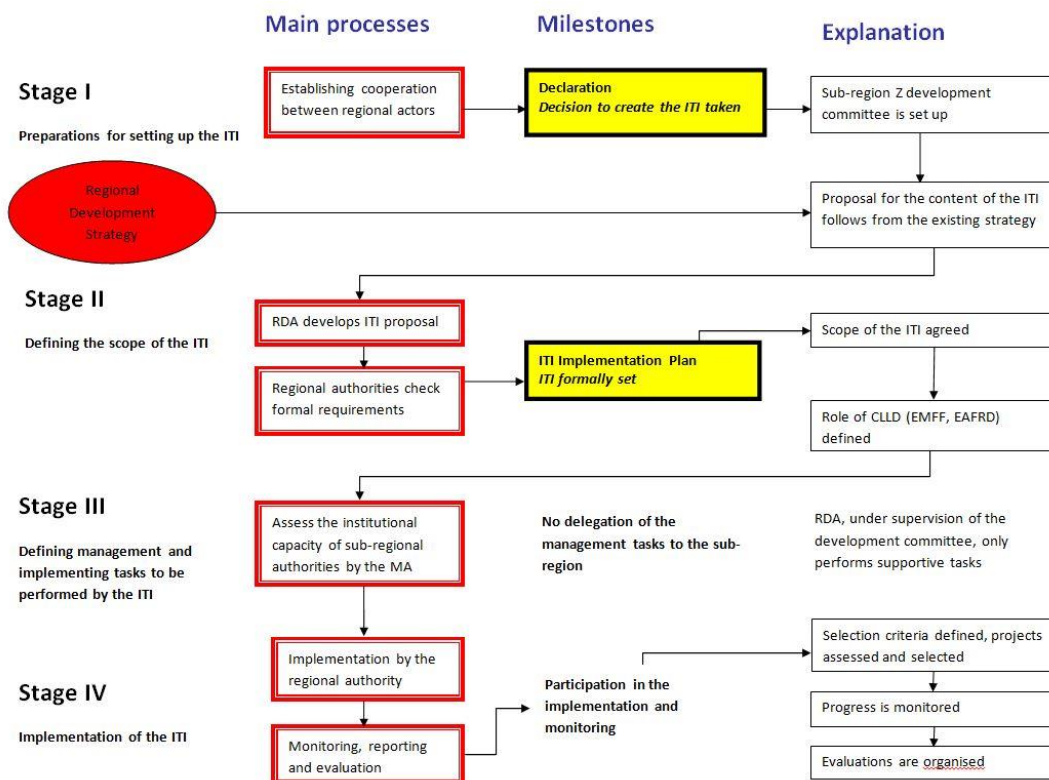
3. SETTING UP AN ITI

3.1. Stages of programming and establishing the ITI

Municipalities from sub-region Z, regional authorities and the Member State agreed on the steps required to establish the ITI (see diagram 2.2):

1. A launch event where the declaration would be signed to officially start work;
2. A detailed ITI implementation plan from the regional authority.
3. Organise the delegation of tasks from the EAFRD and EMFF to the regional authority and decide on the links with CLLD.
4. Start the ITI when all structures were in place.

Diagram 2.2: Sub-region Z - stages leading to establishment of the ITI



3.2. Signing the Declaration

A launch event was held with the aim of discussing how the ITI would be organised. During this event, the municipalities, regional authorities and the Member State signed a Declaration detailing the overall workflow.

In addition, the composition of the sub-region Z development committee was decided. Practical follow-up was entrusted to the RDA.

3.3. Role of RDA and sub-region Z development committee

Most RDA's typically have experience in preparing the regional development strategy and SME support schemes, while providing advisory services to municipalities and the local business sector. They are also well-versed in preparing the local development programmes of various rural and urban municipalities.

RDA's role in the case of sub-region Z

The RDA was an executive body, working on behalf of all development partners operating in sub-region Z. Though not formally in charge of the management of the ITI (and therefore not being designated as an intermediate body), the RDA had been asked to co-ordinate the preparation of the ITI implementation plan. It also played an active role in the implementation phase (see chapter 6). All administrative tasks the RDA performed for the ITI were financed from its own resources.

The RDA coordinated and supported the municipalities and other stakeholders. It also represented municipalities from sub-region Z in their relations with the national and regional administrations in charge of programming and implementing OPs and other European and national schemes.

Strategic guidance and decisions on proposals submitted by the RDA were supervised by a newly established sub-region Z development committee. This committee was composed of authorities representing municipalities, regional authorities, local socio-economic partners and representatives of national authorities. The sub-region Z development committee was also in charge of reviewing progress and, if necessary, would propose changes to the ITI strategy's content.

4. UTILISING THE EXISTING STRATEGY AND PREPARING THE ITI IMPLEMENTATION PLAN

4.1. Role of the territorial strategy

The regional development strategy contained a detailed description of the needs, challenges and potential of the whole region and in particular sub-region Z. It served as reference point for various regional strategic documents including a smart specialisation strategy, operational documents such as the regional OP and proposals for activities and projects to be financed from other national and European programmes, including those co-financed by the EAFRD and the EMFF.

4.2. *Preparing the proposal for the ITI's content*

On the basis of the regional development strategy and taking into account the PA and relevant draft OPs, the RDA developed an ITI proposal for sub-region Z. Close cooperation at regional level resulted in a definition of the territorially based coordination mechanism between funds and their instruments, notably CLLD. The proposal was subject to an extensive consultation process in which the public administration, numerous representatives of the business sector, NGOs, fisheries and rural stakeholders took part. The final proposal was adopted by the sub-region Z development committee and presented to the national and regional authorities of the three programmes.

5. DEFINING THE SCOPE OF AN ITI

5.1. *Content of the ITI implementation plan*

As the RDA proposal adopted by the development committee was fully in line with formal requirements, it was quickly endorsed by the regional authorities, which were acting on behalf of the three involved programmes. The most pressing issue was to set up the system of coordination between the various actions co-financed by the different ESI Funds. These actions included the ERDF under the regional OP, the decentralised EAFRD and EMFF operations, and merging the strategies of the existing LAGs.

The **ITI implementation plan set out** crucial programming elements, including:

- level of financing, participating funds, OPs and priority axes;
- specific objectives to be included under the ITI, expected territorial results, actions and guidelines for selection criteria;
- information on actions linked to the ITI but implemented outside its scope, such as calls for bottom-up actions using the CLLD approach;
- coordination with the CLLD instrument under EAFRD and EMFF, and complementary support to CLLD from the ERDF;
- structures and procedures at the level of the ITI.

5.2. *Level of financing, participating funds, programmes and priority axes*

The scope of activities for sub-region Z was clearly defined to focus on the instrument itself and to allow for smooth implementation. However, in order to ensure a proper mix of actions to tackle the complex needs of the underdeveloped areas, it was agreed to finance the ITI from three funds and three OPs: ERDF regional OP,

national rural development programme co-financed by EAFRD and national OP co-financed by EMFF. To simplify coordination and implementation, it was agreed that:

- under the ERDF, regional OP parts of three priority axes would contribute to the ITI;
- under the EAFRD and the EMFF, clearly defined measures would be set out. (diagram 3.2)

5.3. *Specific objectives, territorial expected results, actions and guidelines for the selection criteria*

The ITI's objectives were formulated following the territorial needs and challenges relevant to sub-region Z as well as those identified in the sub-regional development strategy. The structure of the relevant programmes was also taken into account. The ITI was implemented through an integrated set of actions aimed at structural change in the whole area, including rural and coastal areas, and removing the barriers for development, which were specific to the peripheral territories. The focus was on exploiting the existing potential and cultural richness of the area.

The ITI defined two specific objectives under the integrated actions, which would be co-financed from three funds: the ERDF, the EAFRD and the EMFF. The objectives, needs, challenges and expected results for the area are shown in table 1.

Table 2.1: Specific TOs, corresponding needs, expected results and programme structure

Specific territorial objective	Corresponding needs or challenges	Expected results	Implementation under the relevant programme structure
1. Improving conditions for economic development and increasing SME investment by exploiting territorial potential. (ERDF, EAFRD, EMFF)	Underused development potential (cultural richness and biodiversity), lack of inward investment, lack of local SMEs outside the agriculture sector.	Number of SMEs investing in the area increased. Sub-regional disparities in water and sewage infrastructure decreased. Number of visitors to sub-region increased.	Specific objective under ERDF regional OP. Several (sub) measures dedicated to ITIs under EAFRD rural development programme. Several (sub) measures dedicated to ITIs under EMFF programme.
2. Improving access to and increasing the quality of the public services relating to ageing and depopulation problems. (ERDF)	Migration of young work force, depopulation in some areas, concentration of health and social problems in rural areas and small towns.	Level of migration decreased. Sub-regional disparities in access to health decreased. Recreational facilities enhanced.	Specific objective for the ITI under ERDF regional OP.

5.4. Coordination between ITI and CLLD

Sub region Z has a history of strong local engagement through various LAGs and FLAGs. The sub-regional development strategy identified a low level of cooperation between development partners as one of the key barriers to increasing the efficiency of public policies in sub-region Z. Actions from these local actors and investment in towns and cities were sometimes not well coordinated. In order to remedy the situation, the ITI implementation plan defined a new, territorially based system of coordination and implementation. It was decided to build on the existing positive experience from the EAFRD and EMFF by continuing with the well established LAGs and FLAGs, while at the same time maintaining strong links between local strategies and the ITI strategy for the whole sub region. Meanwhile, the ERDF OP would provide additional support for CLLD. This could enlarge the scope of actions the LAGs could finance in their communities.

Local partnerships needed to meet the conditions set out in Article 32 of the CPR:

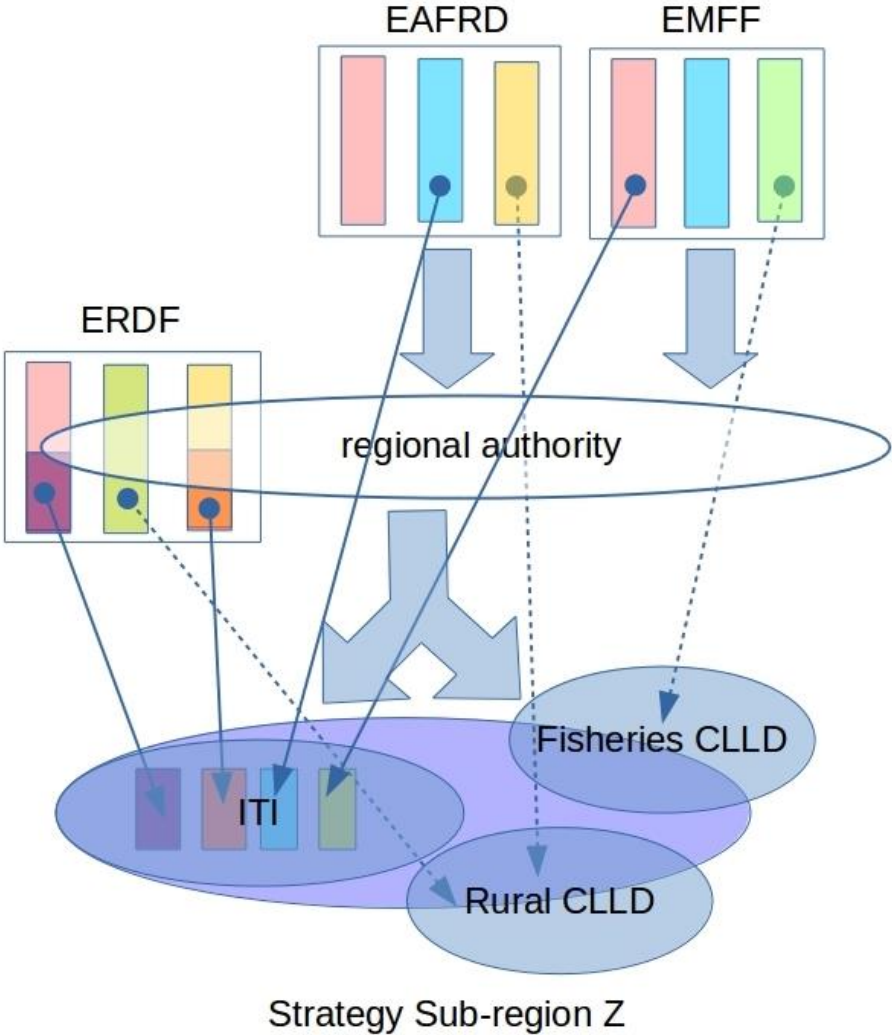
- create a LAG with public, private and civil society partners and define the boundaries of CLLD;
- prepare a local development strategy that was in line with the relevant OP and its specific objectives for the sub-region;
- develop an action plan defining an implementing system, monitoring and evaluation, as well as a financial plan.

Assessing the proposed CLLD strategies was the task of the CLLD selection committee, which in this case was operating at the regional level and was chaired by the regional authorities representing the three programmes. The assessment also considered the relevance of the proposed strategy to the ITI. The LAGs were also invited to develop strategies to help achieve the ITI's goals and could receive additional funding from the ERDF to complement the EAFRD or the EMFF. The complementary ERDF funding would be programmed under TO9 and delivered through a priority axis dedicated for ITI financing under the ERDF regional OP.

Following Article 33.5 of the CPR, decisions approving the CLLD strategy proposals were set out in writing. They defined allocations from each of the funds and specified responsibilities for management and control tasks under the programmes. The LAGs executing the approved local development strategies were responsible for drafting the selection criteria for projects, organising calls, as well as selecting and approving projects submitted by local actors.

The below diagram illustrates how the ITI and the (F)LAGs contributed to the sub-regional development strategy.

Diagram 2.3: The role of the ITI in the territorial strategy for Sub-region Z¹⁸



A detailed list of actions undertaken is shown in table 2.2. This table also shows how CLLD actions complemented the sub-regional strategy by using other investments from ERDF, EMFF and EAFRD.

¹⁸ Several Italian ITIs combine investments from ERDF and EAFRD programmes.

Table 2.2: The content of the ITI for Sub-region Z

Programmes	Priority axis, TO (ERDF) measure (EAFRD, EMFF)	Investment priority (ERDF), Measures (EAFRD) and specific objectives (EMFF)	Specific territorial objective	Actions (ERDF), measures (EMFF), and sub-measures (EAFRD)	Actions to be coordinated with the ITI
Regional OP ERDF	Priority Axis 1 TO 6	<p>6.1 investing in the waste sector to meet the requirements of the Union's environmental <i>acquis</i> and to address needs, identified by the Member States, for investment that goes beyond those requirements;</p> <p>6.2 investing in the water sector to meet the requirements of the Union's environmental <i>acquis</i> and to address needs, identified by the Member States, for investment that goes beyond those requirements;</p> <p>6.3 conserving, protecting, promoting and developing natural and cultural heritage;</p>	Improving conditions for economic development and SME investment by exploiting territorial potential.	<p>Grant scheme to finance key sub-regional significance projects in water and waste sector;</p> <p>Grant scheme for the promotion and development of natural assets and cultural heritage.</p>	<p>EAFRD</p> <p>CLLD strategies aimed at improving conditions for economic and SME investment in rural areas and for developing urban-rural linkages</p> <p>EMFF</p> <p>CLLD strategies promoting social well-being and cultural heritage in fisheries and aquaculture.</p>
Regional OP ERDF	Priority axis 3 TO 8	8.2 supporting employment-friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to, and development of, specific natural and cultural resources;		<p>Development of growth and employment generating services including tourism in rural areas;</p> <p>Grant scheme to finance small infrastructure projects exploiting identified potentials and improve investment attractiveness and creation of new jobs.</p> <p>Development of urban-rural linkages by supporting equal access and standards of services.</p>	

				Provision of local transport and essential utility infrastructure in order to help new SMEs investment.	
Rural development programme EAFRD	Part of the measure dedicated to the ITI	Article 20 Basic services and village renewal in rural areas		Develop local infrastructure in rural areas; renew villages and other activities aimed at restoring and upgrading the cultural and natural heritage of villages and rural landscapes.	
National programme EMFF	Part of the measure dedicated to the ITI	Reducing the impact of impact of fisheries on the maritime environment, including the avoidance and reduction, as far as possible, of unwanted catch		Art. 43. 2 Fishing ports, landing sites auction halls and shelters – investments to facilitate compliance with the obligation to land all catches	
Regional OP ERDF	Priority axis 2 TO 9	<p>9.1 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;</p> <p>9.2 providing support for physical, economic and social regeneration of deprived communities in urban and rural areas;</p> <p>9.3 undertaking investment in the context of community-led local development strategies;</p>	Improving access and increasing the quality of public services dealing with ageing and depopulation problems.	<p>Preparation of the sub-regional plan for improving access of the elderly to health and social care</p> <p>Support for health and social infrastructure improving access for elderly and vulnerable groups</p> <p>Developing the integrated local regeneration plans for deprived communities in urban and rural areas,</p> <p>Grant scheme for improving access to recreational, social, cultural services for disadvantaged socio-economic rural and urban areas,</p>	<p>EAFRD Art. 20 Basic services and village renewal in rural areas</p> <p>CLLD strategies aiming at increasing investments in the setting up, improvement or expansion of health related (also recreational) local basic services for the rural population</p> <p>EMFF CLLD strategies for sustainable development of fisheries and aquaculture areas.</p> <p>Objectives related to ageing and health of fishermen</p>

The pictures below show the investments that were made into the water treatment infrastructure and in the modernisation and promotion of the local wool industry.



6. TASKS PERFORMED BY THE REGIONAL AUTHORITY AND THE RDA

6.1. *Managing the ITI*

As the ITI received funding from three different sources, co-ordination between these funds was crucial. Taking into account the limited experience of sub-region Z in managing structural funds, delegating tasks to the sub-region was not an option. The regional authority had however, already been the MA for a regional OP. Therefore it was decided that the tasks dedicated to implementing the ITI under the EAFRD and EMFF would be

fully delegated to the regional authority. This made it possible to set up a CLLD selection committee at regional level and launch calls for the ITI that included financing from the three funds. In practice, all tasks, from defining the ITI implementation plan to the signature of grant contracts with beneficiaries, were managed by the MA or MC of the regional programme.

In order to increase the level of participation and commitment of the local authorities and development partners, it was agreed that the following supportive tasks would be performed by the RDA under the supervision of the sub-regional development committee (table 2.3):

- help define the selection criteria and calls organised by regional authorities for the ITI;
- participate in the assessment and selection of projects organised by the regional authorities in relation to the three programmes concerned;
- assist in monitoring and reporting on the progress and indicators as defined in the ITI implementation plan;
- participate in the evaluation activities concerning the territorial dimension of investments and the role of the ITI.

Table 2.3: Functions of the ITI for sub-region Z

	Regional Authority		Sub-region Z	
	Managing Authority	Monitoring Committee	RDA	Sub-regional Development Committee
Sub-Regional strategy				A
ITI implementation plan	R		I	S
Selection criteria		A	I	S
Preparation of calls	R			S
Launch of calls	R		I	
Information to beneficiaries	R			
Collection of applications	R			
Assessment of operations	R			S
Selection of operations	I	A		
Eligibility check	R			
Signature of grant contract	R			
Checks, financial control	R			
Information provision	R		I	
Monitoring progress	R		I	S
Evaluation of ITI	R		I	S

R = responsible I = involved A = approval S = supervised by

7. MONITORING AND REPORTING

7.1. *Defining management and implementation procedures*

All tasks related to the effective management and implementation, were set out by the three MAs. In agreement with the regional authorities and on behalf of the development committee, the RDA helped monitor the progress of the regional development strategy according to pre-defined objectives.

The RDA prepared an annual report based on its own research and data provided by the regional and local authorities. The report was discussed within the development committee, before being submitted to regional authorities as input for the annual implementation report for the programmes concerned.

For the ERDF, the MA of the regional OP prepared the annual implementation reports as required by Article 50 of the CPR. The reports assessed the progress in terms of results and output indicators set out in the OP,

including those influenced by the performance of actions and operations included under the ITI mechanism. Reports showed the progress under the ITI and served as a basis for more strategic considerations in the progress report (to be prepared in 2017 and 2019) on the role of integrated territorial approach effectiveness.

For the purpose of enhancing discussions on the relevance of the territorial approach and the role of ITIs in achieving the ESIF objectives, progress on the implementation was discussed in the regional OP monitoring committee and its equivalent in the EAFRD and the EMFF programmes. At national level, progress was discussed in a special advisory committee for integrated place based development.

The reference points for monitoring progress are the indicators established in the regional development strategy relating to sub-regional targets and result indicators established in the ITIs. Monitoring progress of the ITIs is seen as an important element in delivering the whole regional development strategy and is also vital for measuring the performance of the three programmes.

Careful assessment was required in the context of the performance framework. Performance of the actions implemented within ITIs, especially those implemented under the dedicated priority axes for ITIs could influence the prospect of achieving the programme's milestones and targets.

No evaluation projects for the ITI were foreseen. However, the municipalities were consulted on the relevant evaluation plans, while the RDA assisted the evaluation working groups.

8. MANAGEMENT AND CONTROL REQUIREMENTS

As the ERDF actions under the ITI for sub-region Z were managed entirely by the regional MA, the management and control requirements were those applicable to any MA. As funding from ERDF, EAFRD and EMFF was being managed by the same entity, it was necessary to set-up adequate coordination arrangements in the regional MA in order to mitigate the risk of financing the same actions more than once from different funding sources.

9. SEVEN YEARS ON

Seven years on, sub-region Z has witnessed some important changes. The many investments made improved the provision of services that valorised its natural assets and supported local SMEs. A new dynamic was also evident - Tourist numbers were up, there were more jobs in the service sector and outward migration almost came to a halt.

For the first time, investment from different EU funds worked in tandem towards developing the sub-region. The region, which already had extensive experience in managing ERDF and consequently became the intermediate body for the EMFF and EAFRD part of the ITI, ensured that this integration was successful.

However, several issues resulting from differences in procedures needed to be solved. For example, in the same monitoring committee meeting, members were asked to approve the selection criteria for the ERDF but for the EMFF and EAFRD, they were only required to advise on these criteria.

The role of the RDA in coordinating the region and the actors in the sub-region proved crucial. The increased support for several LAGs in the sub-region and the change in their focus towards the goals of the ITI also ensured that there was wider support, not only from within CLLD partnerships, but also from local and regional authorities.

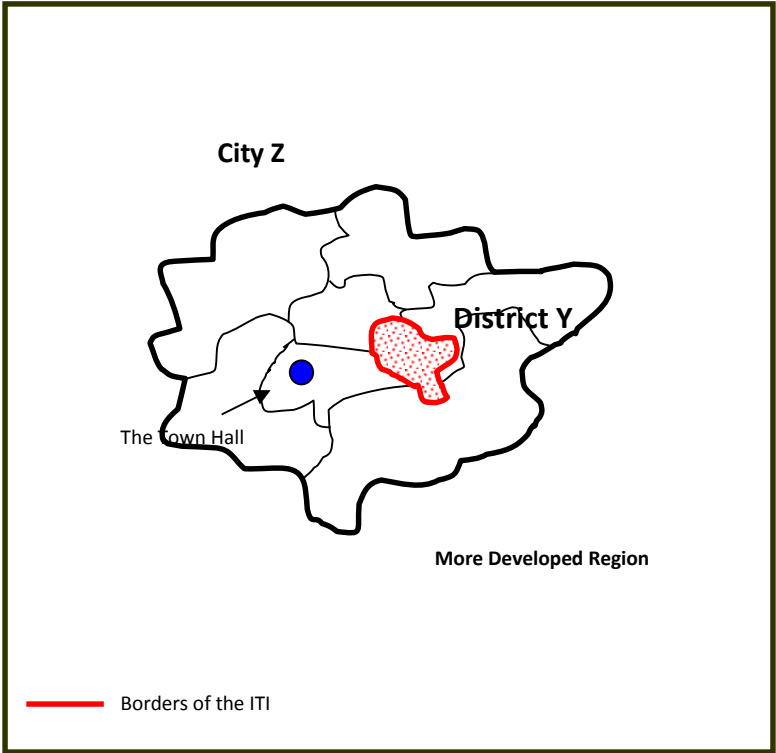
SCENARIO 3. DISTRICT Y: A DEPRIVED URBAN AREA

1. SETTING THE SCENE

1.1. The case of District Y

This scenario describes the process of establishing an ITI that supports the sustainable and integrated regeneration of deprived neighbourhoods within a wider urban area. The case is built around one district situated in the wealthy city Z, but could also be useful for deprived areas located outside of a metropolitan area¹⁹. The city is situated in a more developed NUTS II region (diagram 3.1).

Diagram 3.1: The case of District Y



¹⁹ In many cities, socio-economic and structural issues are concentrated spatially in several parts of districts. It is often possible to find some common denominators for the problems faced by those communities and to build an integrated policy mix that can effectively address them. In such cases, engaging local community leaders in the policy making process is indispensable and a platform should be established for the exchange of ideas and experiences on common issues. At the same time, each community has its specific issues as well as potential that should be reflected in the ITI. For example, brownfield sites as well as surrounding suburban or rural areas.

1.2. Territorial challenges and potential

Due to a decline in traditional manufacturing and industry from the mid-seventies onwards, city Z has suffered from a socio-economic perspective. At the beginning of the nineties, the situation started to improve. City Z managed to adapt, finding new sources of growth and attracting new investors. Consequently it has regained its status as a dynamic metropolis. However, the loss of industrial jobs, combined with inadequate public employment policies, led to a concentration of development problems in one of the industrial districts of the city: District Y. The second generation of its residents struggles with high unemployment, low household income, low skills level, early school leaving, welfare dependency and health issues. These struggles are coupled with a deterioration of public infrastructure and housing that affects the quality of life in District Y. In addition, city Z has recently seen an influx of new residents - migrants from other Member States, who don't speak the local language, usually take up low-skilled employment and live in these neighbourhoods with low rent and living costs. At the same time, higher educated families and individuals have over the years moved to more affluent parts of the city.

In a nutshell, the main challenges district Y faces are the following:

- a high dependency on the welfare system and the influx of migrants has led to a low level of social trust, weak social links and social tension. This hinders cooperation and partnership in the district;
- District Y is perceived as a dangerous part of the city and this is confirmed by official crime statistics. This reputation creates a feeling of alienation among the district's residents towards the rest of the city;
- the most noticeable feature of District Y is its poor standard of housing and infrastructure;
- essential public services are of low quality. In particular, basic education, primary health care, public transport, vocational training and social services for vulnerable groups;
- a low level of economic activity measured by the number of active SMEs. The district's bad reputation and lack of incentives discourage any external investors.

1.3. Framework conditions

City Z has a multiannual urban development strategy that comes from national legislation. This comprehensive and long-term urban strategy forms the basis for planning projects within the city area, including those that address the specific development needs of the various districts. However, until now, a more targeted revitalisation plan for district Y had not been considered. To date, the city's authorities have taken actions on an ad hoc basis for district Y but these have been insufficient to tackle its existing structural challenges like unemployment, economic demise, social exclusion as well as the new challenge of migrant influx.

1.4. Cooperation among local authorities and development partners

The main platform for cooperation among development partners is the city's council and its various committees. However, there is no designated body for dealing with the socio-economic restructuring of the urban space or for getting to grips with the specific needs of the different districts. Cooperation among the development partners of district Y is especially weak and - to a large extent - initiated from the top. This means that it is organised by the city's administration on an ad hoc basis. The district finds it difficult to apply the more forward-looking priorities of the city: competitive SMEs, innovation and green growth.

1.5. Experience with EU-funding

City Z has a considerable local budget. In the past, because its NUTS II region was lacking in funds, the city's authorities ran infrastructure projects and SME support schemes co-financed by the ERDF as well as ESF-type projects that enhanced skills, education and employment. Some of these projects were also carried out in district Y but only on an ad hoc basis and their impact was limited and temporary. A number of NGOs operating in the district have experience in running ESF-financed projects, targeting socially excluded youths and unemployed parents. A small number of local SMEs have received support through region-wide schemes.

1.6. Structure of the EU funded programmes

For the 2014-2020 period, the Member State in which City Z is located has access to one regional OP co-financed by the ERDF and one national OP co-financed by the ESF.

1.7. Rationale and aims of the integrated approach

The city's authorities, NGOs, business community, regional and national authorities, and its citizens have recognised the need to find a new, more effective development approach for district Y that would bring about sustainable change and boost structural investment. ITI was seen an ideal tool to embrace this new approach and its goals were to:

- develop an integrated socio-economic and physical revitalisation plan, based on the city's existing development strategy;
- strengthen cooperation between various public authorities and other local partners, especially NGOs;

- integrate district Y more in to the broader urban territory in order to make it an asset of city Z, while improving the quality of life of its residents.²⁰

2. SOME ASSUMPTIONS

2.1. *Legal basis: Article 7 of the ERDF Regulation*

This integrated approach to the sustainable urban development of district Y is regulated by Article 7 of the ERDF regulation. The Member State, together with the regional and urban authorities, decided to develop the ITI for district Y within this framework. On the basis of city Z's existing urban development strategy, the ITI set out to address the specific problems affecting district Y. The principles for allocating the obligatory minimum 5 % of the ERDF resources to sustainable urban development were set out by the PA. The ITI was financed both from the ERDF and the ESF, and was closely linked to the CLLD instrument.

2.2. *The strategy*

The entire city is covered by a multiannual urban development strategy that sets clear goals for such necessities as housing, employment, transport, and citizen engagement. This strategy also pays specific attention to district Y. However, the link between this wider strategy and concrete investments by the ESI funds was not made explicit. This is why local authorities wanted to prepare, in collaboration with relevant partners, an ITI revitalisation plan for district Y.

This was made possible by the fact that such districts fall within the criteria stipulated in the PA, which reflect the level of socio-economic and physical deprivation of the city's areas in terms of:

- resources – economic situation of residents, access to public and private services, cultural and social resources, including education and skills;
- participation – economic participation, social and cultural activities, political and civil participation;
- quality of life - living environment, health and well-being, delinquency.

²⁰ Almost all ITIs in France focus on deprived neighbourhoods.

2.3. Delegation of functions

Taking into account the city's experience in managing a large budget, its ability to run EU co-financed projects and its proven administrative capacities and competences, it was decided to delegate several management tasks of the ITI to the city, making it an intermediate body. The delegation of powers to the city's authorities went beyond the minimum requirements set out in Article 7 of the ERDF regulation. These new powers included developing project selection criteria, informing potential beneficiaries, launching calls for projects, collecting applications and pre-authorising payments for beneficiaries.

In addition, as a response to local stakeholder requests, the regional and city authorities agreed to make use of the CLLD instrument. This was seen as a promising means of increasing local ownership and engaging with disadvantaged communities.²¹

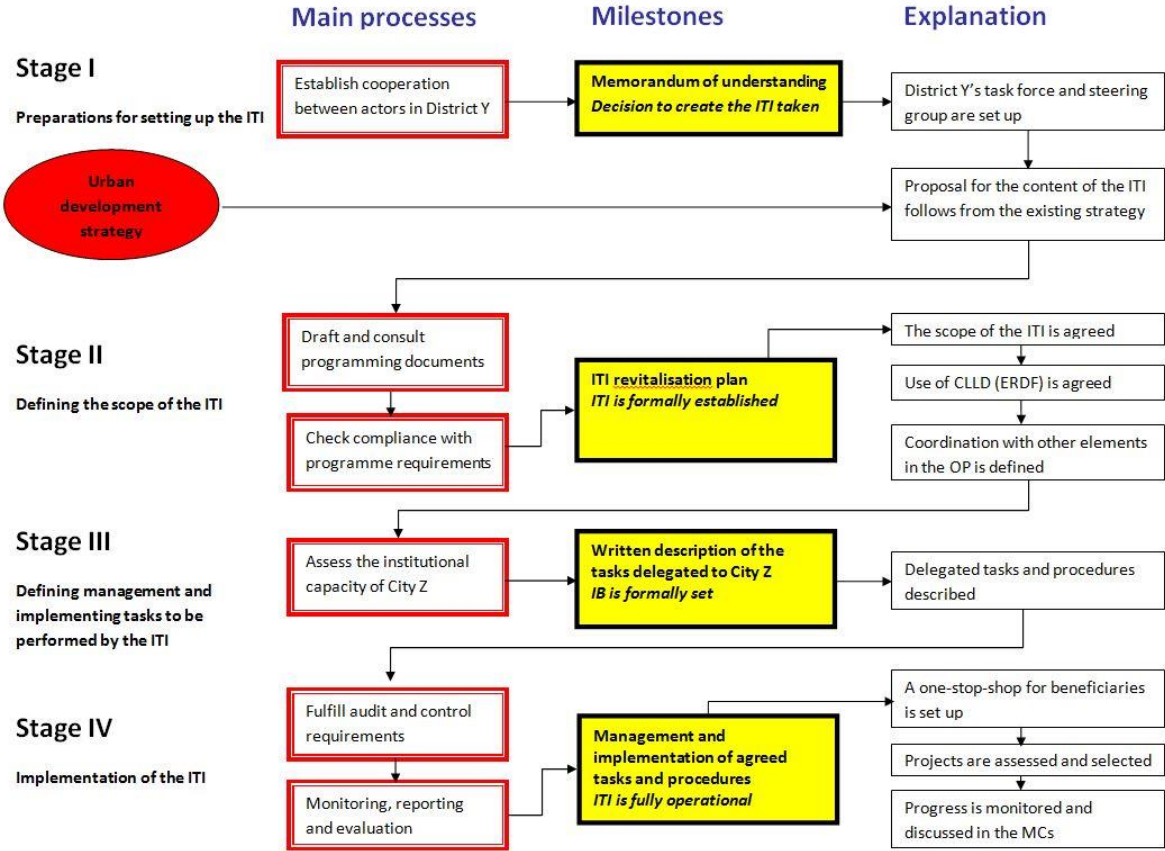
3. SETTING UP AN ITI

On the basis of the national guidelines and following an initial consultation with relevant civil society organisations (CSOs) and business associations, the following stages and milestones leading to the ITI were agreed between city Z and regional and national authorities (diagram 3.2).

- a) The city's authorities, local stakeholders and ERDF and ESF managing authorities would sign a memorandum of understanding;
- b) The city's authorities would take the lead in preparing an ITI revitalisation plan for district Y;
- c) After assessing the institutional capacity of city Z, the managing authorities would set out which tasks would be delegated;
- d) After setting up the structures and procedures needed to perform the delegated tasks, the implementation of the ITI would start.

²¹ The Dutch city of The Hague combines an ITI with a CLLD.

Diagram 3.2: District Y - Stages leading to the ITI's establishment



3.1. The Memorandum of Understanding (MoU)

After several rounds of discussions, a MoU was signed between the city’s mayor, the regional authorities and key development partners. The MoU formally established the ITI Partnership, defined the common objectives and set out a framework for cooperation. The MoU also foresaw the possibility to add new partners during the process and to establish an ITI steering committee and a district Y task force.

The ITI Steering Committee comprised representatives of all local stakeholders and relevant MAs. It took decisions by consensus or – in extreme situations – by qualified majority. During the preparation phase, the steering committee set up working groups to develop the ITI, discussed any changes made to the draft and agreed on the implementation process together with the Member State and MAs. During the implementation phase, it adopted procedures and guidelines relating to the selection criteria for projects and the final list of those selected. In addition, it reviewed annual reports on the ITI’s implementation and provided instructions to the monitoring committees of the relevant OPs.

District Y's task force was made up of city officials whose salaries were entirely paid for by the city. It was established due to an internal reorganisation of the city's administration into a territorial unit to better focus on the needs of specific areas of the city and provided support to the steering committee by:

- managing its work on a daily basis;
- organising meetings and working groups;
- developing the ITI revitalisation plan;
- organising a public consultation on this plan;
- developing procedures and managing the overall selection procedure;
- preparing input to the annual and final reports for approval by the steering committee;
- commissioning analyses and evaluations.

As the official ITI representative, the mayor signed and submitted all necessary implementation documents as well as reports on the ITI. The mayor represented the ITI at regional and national level and in the monitoring committees of the relevant OPs.

4. THE USE OF THE EXISTING STRATEGY

4.1. *Role of the territorial strategy*

The existing urban development strategy defined the medium and short-term strategic goals of the city's urban development policy. The strategy also contained a detailed description of the city's needs, challenges and potential. These served as the basis for cooperation with development partners, drove policy initiatives launched by the city and helped develop projects to enhance competitiveness, SME development, urban transport, housing and green growth as well as social inclusion and employment. District Y's main development issues such as poverty and social exclusion required a specific and integrated approach in order to be successful. This was the reasoning behind the ITI revitalisation plan for district Y that used available ESI Funds to meet the district's objectives.

4.2. *Preparing the ITI revitalisation plan*

The preparation of the ITI revitalisation plan for district Y was financed from TO9 of the ERDF OP²². The ITI steering committee firstly set up working groups to develop the ITI revitalisation plan. The plan was seen from the outset as a draft proposal for discussion with the city's stakeholders, regional authorities and relevant MAs.

²² It could also have been financed by Technical Assistance.

The draft was prepared in line with the ESI funds' main principles, ideas and mechanisms, such as its specific objectives, expected results and actions.

The working groups comprised experts, local leaders and the district's residents and reflected the mixture of challenges facing the district with one working group concentrating specifically on management and implementation issues.

The second step involved developing the ITI revitalisation plan through a public consultation, in which NGOs, CSOs, citizens, SMEs, and public service representatives were asked to give their views on development priorities and projects.

The consultation process took approximately three months to complete and was a success with a number of valuable ideas for projects being submitted. When the public consultation finished, the working groups with the help of external experts studied input. A draft plan was prepared by District Y's task force and subsequently approved by the ITI Steering Committee.

5. DEFINING THE SCOPE OF AN ITI

5.1. *Discussing the content of the ITI*

The city mayor formally submitted the draft ITI revitalisation plan to the MAs of the relevant regional OPs, who in turn checked for its compliance with formal OP and fund-specific requirements. Taking account of available funding under specific objectives, expected results and actions under the relevant OPs, the District Y's task force, in close cooperation with the relevant MAs, slightly redrafted the plan. It was subsequently approved by the steering committee after which the regional authorities defined the most important programming elements of the ITI:

- level of financing, participating funds, OPs and priority axes;
- specific objectives of the OPs, expected results, actions and guidelines for selection criteria;
- information on actions linked with the ITI but implemented externally;
- operational coordination with other elements of the OP such as financial instruments, CLLD, technical assistance, other OPs and programmes;
- description of the implementation and management system, together with an outline of the scope of delegation to the UAs.

5.2. *Funds, programmes and priority axes. Level of co-financing*

City Z convinced the national authorities and MAs to finance the ITI from two funds: the ERDF and the ESF. This meant that the ITI comprised individual actions financed under two OPs and that delegating management and

implementation tasks to the UAs would be the task of the two relevant MAs. The city presented strong arguments for the close coordination of hard and soft investments, which could be achieved only by bringing the ESF and the ERDF together under the ITI. The volume of funds involved depended on the types of investments envisaged for the ITI.²³

5.3. *Specific objectives, expected results, actions and guidelines for the selection criteria*

The objectives and expected results of the ITI were specific in territorial terms. They were executed under relevant OPs in the form of priority axes and actions under a horizontal objective as shown in table 3.1.

Table 3.1: Specific TOs, corresponding needs, expected results and programme structure

Specific territorial objective	Corresponding needs, potential or challenges	Expected results	Programme structure
1.Enhancing the district's entrepreneurship (ERDF)	Low level of economic activity and lack of external investors.	Number of SMEs active in the area increased.	Actions dedicated to the ITI that are part of a specific horizontal objective.
2.Regenerating public spaces (ERDF)	Poor state of physical stock, low residential and investment attractiveness.	Transforming the district into an attractive place to live and work.	A specific objective for ITIs.
3. Strengthening social and cultural inclusion of vulnerable groups and activating neighbourhoods.	Low level of social trust and weak social links, high dependency on welfare and passive attitudes.	Social trust between different population groups (migrants and long-term residents) increased	A specific objective for ITIs. Action under specific objective for CLLD.
3. Increasing employability of the socially excluded. (ESF)	Unemployment, low employment, welfare system dependency.	Mismatch of skills of the district's citizens with labour market demand decreased.	Actions dedicated to the ITI that are part of a specific horizontal objective.

5.4. *The role of CLLD in developing District Y*

In order to engage residents in the urban renewal process, the city's authorities proposed making use of CLLD – an instrument introduced in cohesion policy following the experience of LEADER. The idea to use CLLD came from one of the NGOs already involved in some LEADER projects.

²³ Dutch and Belgian ITIs combine investments from ERDF and ESF programmes.

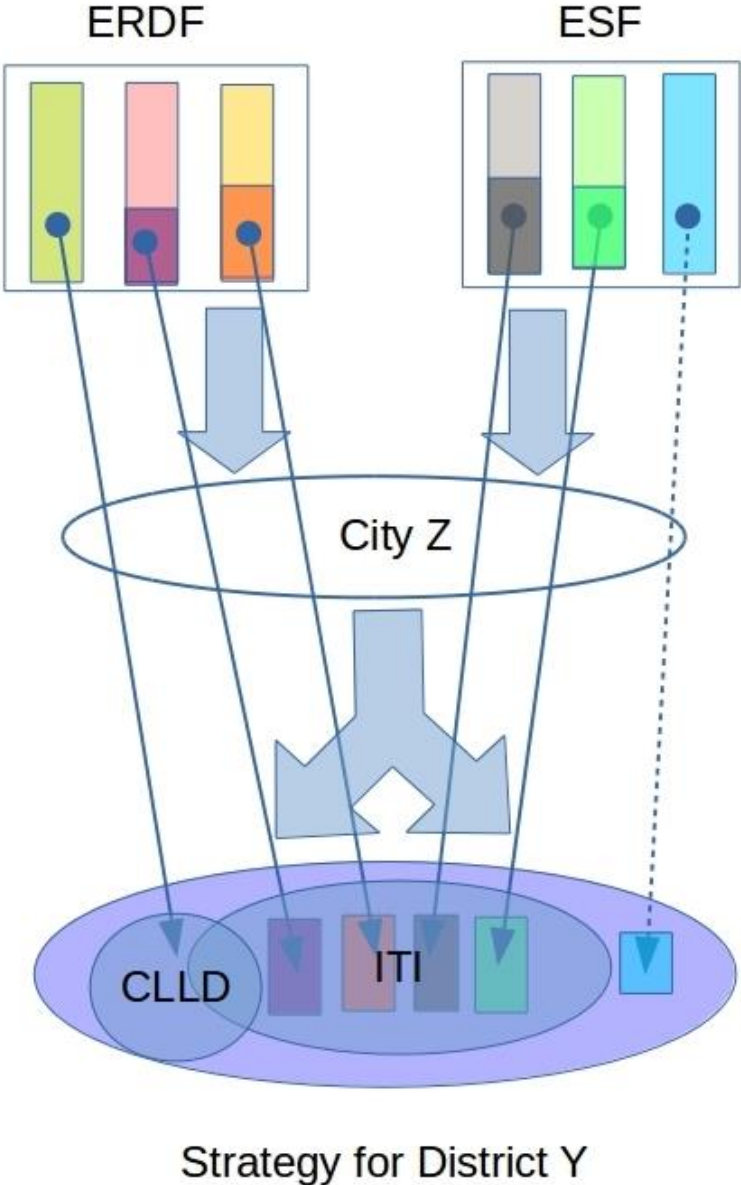
City Z was open to the idea of using CLLD and encouraged local partners to submit ideas for projects that could be financed under a separate investment priority under priority axis 4. It was decided that CLLD would be financed by the ERDF under TO9. The instrument is designed in such a way that although it is programmed under one TO, its actions can cover a broader range of activities. It was important that the LAG's composition would reflect the socio-economic make-up of the targeted neighbourhoods and include representatives of public and private sectors as well as NGOs. The process of setting up the LAG was bottom-up but due to the limited experience of local actors, district Y's task force provided guidance and support.

When preparing the local development strategy, the LAG studied the project proposals and contacted similar LAGs in other cities. An expert study was also commissioned. Based on this feedback, the LAG strengthened the social and cultural inclusion of vulnerable groups by enhancing the links between the immigrants and long-term residents. Examples of potential projects under the CLLD are presented in table 2.

The steering group approved the CLLD strategy based on criteria such as its quality and how it complemented the ITI revitalisation plan. The LAG then prepared project selection procedures and criteria, launched calls for projects, assessed project applications and selected projects complementing the overall CLLD strategy. It presented the selected projects to the MA for final verification, eligibility check and approval. The LAG was also responsible for monitoring and evaluating the strategy's actual implementation.

The diagram on the next page shows city Z's role in coordinating the ITI actions from two funds in order to revitalise district Y. It also illustrates the LAG's role.

Diagram 3.3: Role of the ITI in implementing the ITI revitalisation plan for district Y



5.5. *Coordination with other tools and programmes*

The ITI focused on a relatively small area with particular development challenges. This limited the possibilities of linking with other local programmes. However, some general support schemes from the national ESF programme such as support for start-ups and self-employment schemes were also utilised. In the case of energy efficiency projects in housing, the needs of the deprived areas were taken into account.²⁴

Another important pillar of coordination involved various actions and policies put in place by city Z itself. This included improving public transport, opening police stations, and providing incentives for start-ups in the district. Due to the reorganisation of the city's administration described in chapter 3, the district's task force was the central focal point.

The table below gives an overview of how the ITI was included in the ERDF and ESF programmes and which actions were foreseen. It also shows that there existed complementary actions that were more loosely coordinated.

²⁴ In many EU-15 ITIs, the ESI investments form a relatively small part of the overall city investments and policy interventions in deprived neighbourhoods.

Table 3.2: The content of the ITI for District Y

OP	Priority axis, TO	Investment priority	Specific objectives	Actions agreed	Actions to be coordinated with the ITI
Regional ERDF OP	Priority Axis 1 TO3	3.1 promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;	Enhancing the district's entrepreneurship	Establishing the district's business incubator centre for local and biotechnology businesses. Providing SME support to SMEs in district Y.	From ESF OP Support for start-ups, self-employment, support aimed at the most disadvantaged social groups.
	Priority Axis 4 TO9	9.3 providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.	Regenerating public spaces	Regenerating neighbourhoods and public squares. Renovation of social housing in the district.	Energy efficiency in housing sector – a financial instrument for the whole region TO 4 (IP 4.3) ERDF OP
		9.4 undertaking investment in the context of community-led local development strategies;	Strengthening social and cultural inclusion of the vulnerable groups and activating neighbourhoods (through separate calls for CLLD local action groups and strategies)	Encouraging cross-cultural relations and promoting active participation of citizens of all backgrounds. A mentoring scheme where experienced local entrepreneurs provide guidance and support for the younger generation. Identifying the best ways to improve safety for pupils on their way to school and financing the necessary improvements. Regenerating public squares and enhancing their role as meeting places.	
National ESF OP	Priority Axis 3 TO 10	10.3 enhancing equal access to lifelong learning for all ages in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning through career guidance and validation of acquired competences;	Increasing employability of the socially excluded.	Promoting life-long learning among excluded socially groups of citizens. adapting skills (particularly of the unemployed) to the labour market demand through targeted training for the socially excluded,	From ESF OP Improving employment services performed by employment centres

The pictures below show that the ITI enabled investments in social housing but also in training and support for local businesses.



6. MANAGING AND IMPLEMENTING TASKS PERFORMED BY THE UA

6.1. *Delegating tasks from the MAs to City Z*

As stated in Article 7(5) of the ERDF regulation and as required by Article 125 of the CPR, how tasks would be delegated to city Z was formally recorded in writing, with the MAs assessing the relevant structures and procedures of city Z.

The different structures of the ERDF and ESF OP (one regional and one national) led to city Z having more delegation powers in ERDF than for the ESF programme. Meanwhile, the MA for the regional OP retained the financial management and control of projects. Its tasks included signing contracts, verifying payment claims and making payments to the beneficiaries, closing the projects and performing all tasks related to financial control, including on-the-spot checks, monitoring projects with regard to the state aid rules and closing them once complete.

For the ESF, city Z was responsible for providing information to beneficiaries, helping prepare an open project pipeline, assessing the proposed projects, and monitoring their implementation. This meant that the MA for the national ESF OP had more competences such as approving the selection criteria proposed by city Z, opening the project pipeline in cooperation with the city, performing the final eligibility check and approving the projects pre-selected by city Z. The MA also took care of financial management and control and on-the-spot visits.

In order to support the local authorities in carrying out delegated tasks, the MAs developed detailed checklists, reflecting the specific needs of the two OPs. They also organised training sessions for district Y's task force.

6.2. *Providing information to beneficiaries*

The MAs and the city set up a one-stop-shop for citizens and potential beneficiaries. Its main role was to provide information and advice on all foreseen actions and offer advice on how to prepare integrated projects in line with the ITI revitalisation plan. Specifically, the city provided beneficiaries with potential EU funding information; the documents required, the selection criteria and how to obtain the necessary co-financing. All applications, regardless of whether they were for ERDF or ESF, could be submitted to this one-stop-shop.²⁵

²⁵ The Dutch ITIs, that combine investments from ERDF and ESF programmes, set up one-stop-shops for beneficiaries.

6.3. *An open project pipeline*

The most important project in the ITI revitalisation plan was the renovation of social housing. As all social housing was the property of one municipal agency, a competitive call was not necessary.

Given the relatively small financial allocation for other potential projects, there was no need for multiple calls for proposals. Instead there was a continuous project pipeline from potential ERDF and ESF projects. City Z was charged with keeping all details regarding these projects up-to-date in an electronic data exchange system, which was compatible with the national system.

6.4. *Assessing and selecting project proposals*

District Y's task force assessed all the ERDF and ESF project proposals. A list of ERDF projects was presented by district Y's task force to the ITI Steering Committee. Final sign off on the approved projects was the task of the city's mayor. The task force signed the grant agreement with the beneficiary.

For the ESF projects, a final eligibility check and the project selection was carried out by the MA. The ESF's MA signed each grant agreement.

Table 3.3: Delegation of functions in the case of district Y

	ERDF OP		ESF OP		City Z	
	MA	MC	MA	MC	Task Force	Steering Committee
ITI Revitalisation Plan	I		I		R	A
Selection criteria		A		A	I	R
Prepare project pipeline	I		I		R	
Open project pipeline	I		R		R*	
Information to beneficiaries	I		I		R	
Collection of applications					R	
Assessment of operations	I		I		R	
Selection of operations			A			A*
Eligibility check	R		R			
Signature of grant contract	R		R			
Checks, financial control	R		R			
Monitoring progress	I	I	I	I	R	A
Evaluation of CLLD	R				I	
Evaluation of ITI	R	I	R	I	I	

R = responsible I = involved

A = approval

* only for ERDF operations

7. MONITORING AND REPORTING

7.1. *Monitoring, reporting and evaluation*

The ITI was an important part of the two OPs and the overall national approach to territorial, integrated approach and sustainable urban development. It was also an important element of the city's urban development strategy.

District Y's task force monitored the progress of the ITI's implementation. The reference point for monitoring progress was the result and output indicators set out in the ITI revitalisation plan. Data and reports contained in the System for Fund Management of the EU (SFC system) and operated by the MAs were studied. The task force prepared annual progress reports in a format agreed with the MA. These served as a basis for a more strategic analysis in future progress reports on the role of integrated territorial approach effectiveness. For the purpose of enhancing strategic discussion on the relevance of the ITI and how effective the territorial approach was in achieving the ESIF's objectives, progress was also discussed in the two monitoring committees of the relevant OPs.

7.2. *Performance Framework*

The ITI was linked with the OPs' financial indicators and its milestone and target values for the relevant priority axes. The situation required a case-by-case approach. As the ITI interventions were relevant for the performance frameworks' outputs, it was necessary to use the same indicators and estimate the ITI's milestone and target values using the same methodology as for the priority axes of the OPs. These types of ITI interventions were monitored closely, as was the case for any other projects relevant for performance frameworks. The results of this monitoring were reflected in the reports submitted by city Z to the MAs.

7.3. *Urban Development Network*

Under Article 9 of the ERDF regulation, the Commission established an Urban Development Network (UDN). This network supports urban authorities that are implementing Article 7 of ERDF regulation or participating in innovative actions in the sustainable urban development field. The UDN will help cities to realise the full potential of Article 7 and Article 8 and prevent any errors from occurring in the implementation phase. The UDN also develops the integrated approach to urban development, creates a platform for knowledge exchange among cities and fosters capacity building. City Z paid for one civil servant of the task force to participate in a UDN workshop. It was worthwhile sharing the experience of City Z, especially its link to citizens through CLLD. At the same time the city was inspired by the many integrated actions other cities had already undertaken to improve the living conditions in deprived neighbourhoods.

8. MANAGEMENT AND CONTROL REQUIREMENTS

The management and control requirements for city Z were those applicable to any IB. Both ERDF and ESF MAs delegated many tasks to city Z, although they were still responsible for ensuring that they were properly carried out. Hence, the MAs needed to ensure in advance that city Z had the capacity to carry out the delegated tasks. Before the Commission would reimburse both MAs' first payment claims, city Z was the subject of an independent audit on the procedures put in place for the tasks it was delegated. As part of their supervisory tasks, the MAs made available guidance, manuals of procedures and checklists tailored to the needs of city Z and reviewed any reports it produced.

Key factors for an effective management and control system in a small structure as city Z include a clear delegation of tasks from the MA to the IB, a clear separation of functions within city Z, complete and adequate procedures and manuals covering all key activities within the ITI, including reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid. An active preventive role of the MA in the selection of projects contributes also to reduce the risk that ineligible expenditure is only detected later on, when the projects are well under way.

Although the salaries of the civil servants working for the task force were entirely paid for by city Z, the task of drafting the revitalisation plan for district Y was financed from TO9 of the regional ERDF OP. This meant that the activities linked to the drafting of the revitalisation plan had to be clearly defined and well documented.

9. SEVEN YEARS ON.

Seven years on, many projects have been completed in district Y and their impact is visible. The investment in several key public spaces and in housing has made the district a much more appealing place to live and work. The active promotion of local entrepreneurship, support for businesses from outside the area to expand into the district as well as the training on offer for local residents reduced unemployment considerably, with parts of the district also becoming more lively. At the same time, social tension between residents eased and the cultural diversity actually made certain areas more fashionable. Overall, the image of the district improved significantly and it was unanimously acknowledged that this was thanks to the combined efforts of residents, NGOs, business community and public authorities. Nevertheless, several neighbourhoods still lag behind and more time and effort is needed to transform them.

From a management perspective, the city proved that it is capable of managing EU funds and use them for its own sustainable urban development strategy. The city's representatives did however conclude that the

difference in delegation between ERDF and ESF was not always easy to deal with and would like to see an alternative arrangement in the future. Overall, the cooperation between the different government layers and local social and economic partners was seen as very successful. Even without additional EU support, this way of working and the networks created will most likely continue in the future.

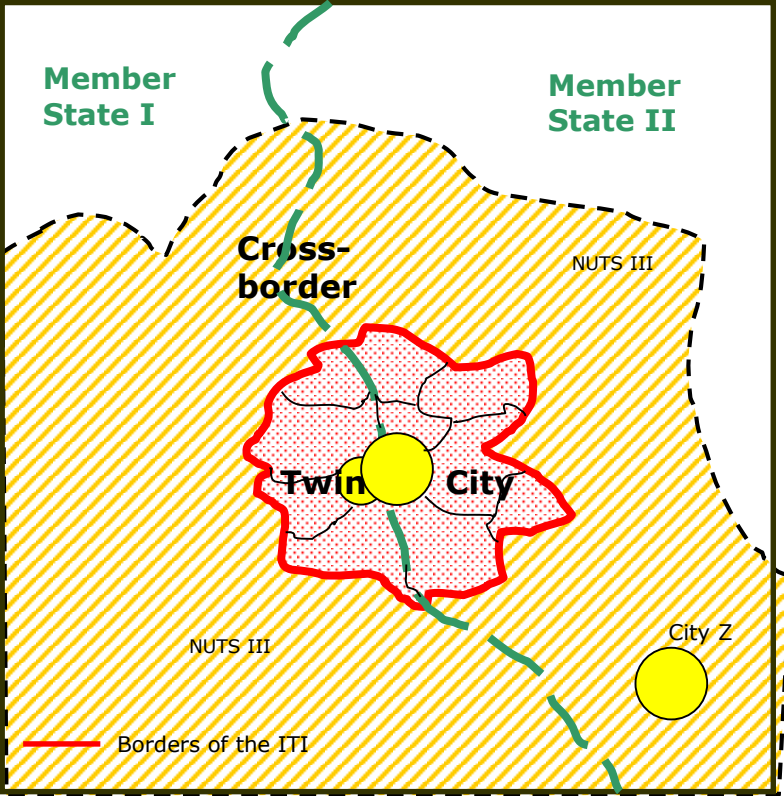
Scenario 4. Twin Cities

1. SETTING THE SCENE

1.1. *The case of a city divided*

This scenario describes the case of a city divided by a national border. Over several decades, the two parts of this city developed independently. With the effective abolishment of border controls coupled with European integration, authorities in the two parts are now slowly working towards the creation on one functional urban area.

Diagram 4.1: The case of twin city X divided by a border



1.2. *Territorial needs and challenges*

The separation of the city has caused several problems. Most notably, the urban transport system developed independently, resulting in poor cross-border connections. As the border was literally cutting across the city, this has led to a no-mans-land appearing at its heart. Besides transport, other public services are not well organised with parallel and under-utilised public services a common occurrence. Unclear legislation makes it

difficult to unite the services of the two cities. For example, one part of the city has a small hospital, which is not often used by residents in the other part, due to language and insurance issues.

The divided city has much potential and centrally located brownfields and a much more integrated transport system could significantly boost the local economy. The elimination of some of the physical barriers has resulted in a gradual increase of contact and cooperation between the two communities. However, business opportunities are not yet fully exploited.

1.3. Framework conditions

Despite the divide, local administrations have a long tradition of cooperation. To further facilitate this cooperation and improve its effectiveness, the two twin cities and adjacent municipalities from both sides of the border established a legal entity some years ago called The European Grouping of Territorial Cooperation (EGTC) for twin-city X on the basis of 1082/2006 EU Regulation. Its focus has been on developing a common urban transport and land use strategy, promoting cultural exchange and facilitating the cross-border provision of services. For example, the fire brigade and ambulance can now serve the other side of the border. For some of its projects, the EGTC received support from the cross-border operational programme, acting as a beneficiary. To-date, the EGTC has however never been involved in the urban transport and land use strategy, nor in programme management.

1.4. Structure of EU funded programmes

For the 2014-2020 period, this particular cross-border region would benefit from a cross-border co-operation programme completed with a MA and Joint Secretariat located in city Z. Both Member States would also have regional OP that could fund different TOs.

1.5. *Rationale and aims of the integrated approach*

The twin city administrations and the EGTC quickly saw the 2014-2020 programming period as a chance to build on previous joint strategies and to further develop cooperation.²⁶ After some initial hesitation, the MAs of the three programmes and the regional and national governments were also convinced of this added value. ITI was seen as an opportunity to combine funding possibilities from national and cross-border programmes to implement a jointly developed urban transport and land use strategy. Because the scope of the actions that European Territorial Cooperation (ETC) programme and the more national or regional Investment for Growth

²⁶ A cross-border ITI is being developed on the Italian-Slovenian border.

and Jobs (IGJ) programme fund differ due to the separate allocations involved, under ITC, they could work in a complementary manner.

2. SOME ASSUMPTIONS

2.1. Article 36 CPR and Articles 11 and 12 ETC

Although the idea was to implement a cross-border urban strategy with ERDF funding, it would not necessarily be done within the framework of Article 7 of the ERFD regulation, which promotes sustainable urban development. As combining an ETC programme with two IGJ programmes was ambitious, it was decided not to delegate all tasks to the EGTC. The task of selecting projects under ETC programmes therefore lied with the monitoring committees for these programmes (Article 12 ETC). However, the ETC regulation allows for the delegation of other tasks related to the management of ITI to an EGTC. Delegating tasks to the EGTC in this case made it an intermediate body.

2.2. Geography and strategy

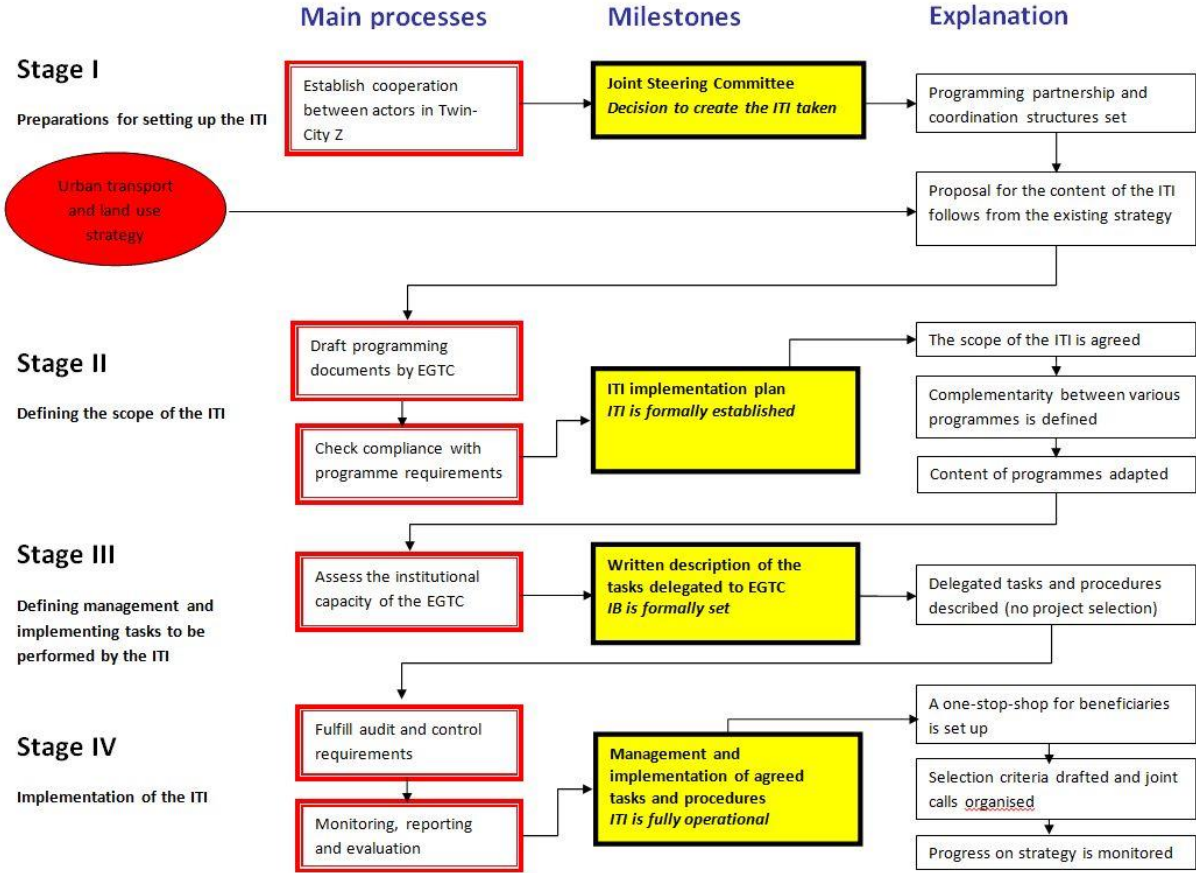
In consultation with the regional authorities and the twin city, it was agreed that the ITI would encompass the EGTC, the twin city and 10 surrounding municipalities. The urban transport and land use strategy was also developed for this same area. Therefore, a strategy that would form the basis of an ITI would already be in place.

3. SETTING UP AN ITI

In order to ensure that the ITI was properly executed from a legal point of view and in a timely manner, the Member States concerned, the relevant MAs and the EGTC of twin city X agreed on the following stages and milestones leading to establishment of the ITI (diagram 4.2):

1. The three MAs set up a Joint Steering Committee to assist the EGTC;
2. The EGTC developed with the help of the Joint Steering Committee, an ITI implementation plan; After assessing the capacity of the EGTC, the Joint Steering Committee would decide which tasks would be delegated to the EGTC – making it an IB for three programmes;
3. Implementing the ITI would then begin.

Diagram 4.2: Twin-city X - Stages leading to the ITI's establishment



3.1. The Joint Steering Committee and EGTC

In order to better co-ordinate their role in the ITI, the three programmes set up a joint steering committee to take decisions concerning the ITI on behalf of the MAs. The MAs would however each send a representative to this committee's meetings.

Because the urban transport and land use strategy was developed within the framework of the EGTC, it made sense to also involve the EGTC in discussions on which allocations were needed to implement the strategy. Due to its close contacts with the general public and private stakeholders, the EGTC was invited to play an active role in the implementation of the ITI. The participating municipalities agreed to increase the budget of the EGTC in order to hire two additional staff members for its secretariat. Every strategic decision prepared by the EGTC secretariat was approved by the EGTC assembly, in which all the municipalities of the EGTC area participated.

4. THE USE OF THE EXISTING STRATEGY

The urban transport and land use strategy developed by the twin-city EGTC was the first of its kind for the whole territory of the EGTC and saw the twin-city as one functional area without national borders. The strategy proposed one public transport system and the development of brownfield sites at the national border. This plan was designed with the active participation of residents and was approved by the EGTC Assembly.

The cross-border cooperation programme could have financed several actions under this strategy, but this would have made the strategy far from complete. For example, no investment in transport infrastructure would be possible under this programme. Other elements of the strategy might have fitted into the national OPs, but would have lacked a coordination mechanism. The main challenge for the ITI implementation plan was therefore to get a clear picture of what the role of each programme would be and how their actions would complement one other.

5. DEFINING THE SCOPE OF AN ITI

5.1. *Drafting an ITI implementation plan*

The content of the ITI implementation plan was prepared by the EGTC with help from the twin city administrations, the joint steering committee, experts from the two Member States and the regional authorities. As a result of this effective cooperation, the ITI implementation plan was quickly adopted by the EGTC assembly and the joint steering committee and defined the most crucial programming elements of the overall ITI:

- levels of financing, participating funds, OPs and priority axes;
- specific objectives, territorial results, actions and guidelines for selection criteria;
- implementation structures and procedures.

5.2. *Specific TOs, expected results, programme structure*

In order to keep the execution system as simple as possible, it was agreed to follow two specific TOs and to develop them in the same way in the participating programmes. Both objectives were pursued by the national OPs, while the cross-border OP handled one objective. The inclusion of the same objectives in both national OPs was necessary as the scope of their actions were limited to the national territory. Only the cross-border programme would fund joint actions under the whole twin-city ITI.

These specific objectives were part of different priority axes under the national OPs that had reserved funding for actions under the scope of the twin-city ITI. The cross-border cooperation programme would have one priority axis dedicated to the twin-city ITI.

Table 4.1: Specific TOs, corresponding needs, expected results and programme structure

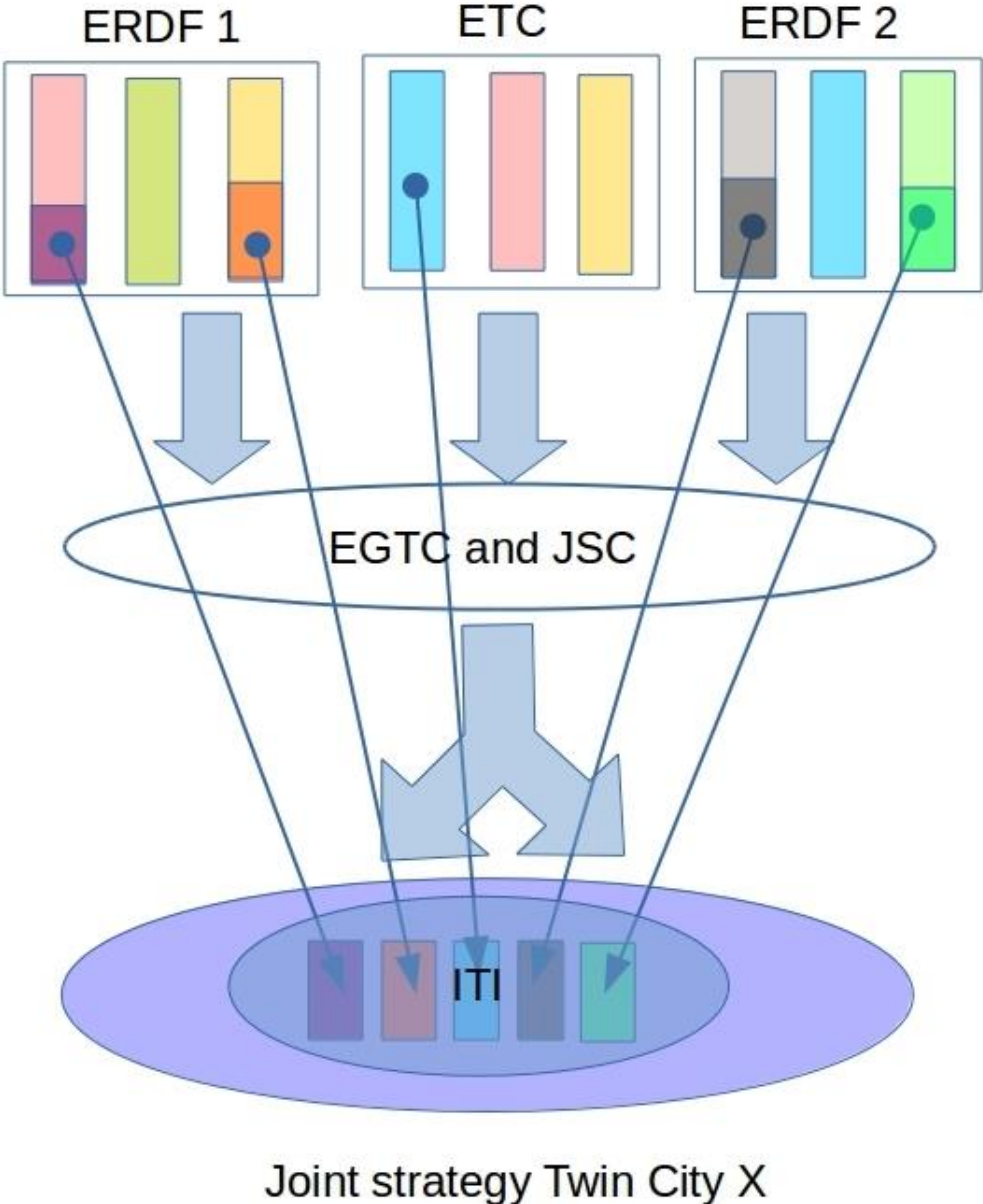
Specific TOs	Corresponding needs or challenges	Expected results	Programme structure
Develop an efficient cross-border public transport system in twin-city Z	Twin-City Z has a substandard public transport system due to the border.	Number of people using public transport to cross the border increases in Twin-City Z.	Specific objective for the ITI under ETC programme. Actions under two specific objectives under two different priority axes (in each regional OP).
Develop abandoned brownfield sites in the centre of Twin-City Z.	Centrally located brownfield sites negatively influence the quality of life.	Quality of life in the centre of twin-city Z is increased and new businesses are created.	

Coordination with other tools and programmes

Cross-border cooperation programmes are traditionally funded by ERDF; not ESF. However, ETC programmes can fund ESF-type actions, making it possible to fund both infrastructure and social projects. Although the strategy could also benefit from investments outside of the ITI, it was decided to limit the coordination efforts to the three programmes mentioned earlier. Creating an ITI with investments from two ERFD OPs and an ETC programming was already considered a challenge in itself. Because these three programmes were still under discussion, their content was easily adapted to ensure consistency.

The diagram on the next page shows how investments from three different programmes were coordinated in order to implement the strategy for twin-city X.

Diagram 4.3: Role of the ITI in the joint urban transport and land use strategy



5.3. Actions included in the ITI implementation plan

The TOs under which IGJ and ETC programmes could invest were the same, but both programmes had a different scope. The national programmes set aside resources under TO4 and TO6 to fund infrastructure, while the ETC programme used resources from its priority axis that covered TO4 for accompanying measures. Below is a detailed list of actions that were included in the ITI implementation plan (table 4.2).

Table 4.2: The contents of the ITI for twin-city Z

OP	TO	Investment priority	Specific objective	Actions agreed
ETC ERDF	TO4	4e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility	Increase the use of cross-border public transport in twin-city X in order to support the shift towards a low-carbon economy	Support for a cross-border ticketing system
Regional ERDF OPs				Bi-lingual electronic transport information at bus stops Language training for bus drivers Information campaigns on public transport
Regional ERDF OPs	TO6	6e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites, reduce air pollution and promote noise-reduction measures.	Develop abandoned brownfield sites in the centre of twin-city Z to improve the urban environment.	Works on old cross-border railway tracks Improve existing public transport lines Purchase additional green busses Construct new bus lines to former brownfield sites
Regional ERDF OPs				Decontaminate brownfield sites Develop brownfields in twin city X

The pictures below show the improved cross-border bus lines and the redevelopment of the brownfield site.



6. MANAGING AND IMPLEMENTING TASKS PERFORMED BY THE EGTC

Managing and implementing the twin-city’s ITI was carried out under the three relevant programmes and was coordinated by both the joint steering committee and the EGTC. Given its knowledge of the situation on the ground coupled with its strong links with local stakeholders, the EGTC’s involvement in drafting the urban transport and land-use strategy was at the heart of the ITI. This resulted in the increased participation of local

authorities in the ITI. Due to EGTC's limited experience in managing funds, the three programmes and the EGTC kept all checks and financial controls directly within the programmes.

Table 4.3: Delegation of functions in the case of twin-city X

	EGTC		Joint Steering Committee		
	Secretariat	Assembly	MA OP 1	MA OP 2	MA ETC
Twin City strategy	R	A			
ITI implementation plan	R	A		I	
Selection criteria	R	A		I	
Preparation of calls	R			I	
Launch of calls	R			I	
Information to beneficiaries	R				
Collection of applications	R				
Assessment of operations	R			I	
Selection of operations	I			A*	
Eligibility check				R	
Signature of grant contract				R	
Checks, financial control				R	
Monitoring progress	R			I	
Evaluation of the ITI				R	

R = responsible I = involved A = approval

* the Monitoring Committee in the case of the ETC programme

6.1. *Providing information to beneficiaries*

As a result of its good contacts with local public and private actors, the EGTC became a one-stop-shop for potential beneficiaries looking for information on the ITI. It provided information on new funding opportunities, the schedule of calls, the documents required, the selection criteria and where relevant, on how to obtain co-financing.

6.2. *Developing selection criteria*

The selection criteria should properly reflect the agreed specific TOs, while being consistent with the relevant programmes and their respective guidelines. Although deciding on these criteria was the responsibility of the monitoring committee under the participating programmes, the EGTC was in charge of their development.

6.3. *Calls for proposals included in the ITI*

The joint steering committee organised joint calls for the ITI as this was seen as the only way to ensure that the twin city strategy would be implemented in a coordinated manner. Separate calls would have resulted in closely related projects such as works on existing public transport lines under IGJ programmes and support for bi-lingual electronic transport information at bus stops under the ETC programme, being funded independently.

The preparation and launch of the joint calls for proposals for the ITI was another task delegated to the EGTC, although the programmes, through the joint steering committee, provided support where necessary.

6.4. *Receiving applications*

In line with its role as a one-stop-shop, the EGTC was in charge of managing all the applications under each call. It also entered each project proposal into an electronic data exchange system (as required by Article 122.3 CPR).

6.5. *Assessing and selecting project proposals*

The EGTC was also in charge of assessing the project proposals based on pre-established selection criteria, while the MAs carried verified their eligibility. After this, the MAs adopted the projects in meetings of the joint steering committee²⁷.

²⁷ In the ETC programme, the joint monitoring committee takes this decision.

7. IMPLEMENTING, MONITORING AND REPORTING

7.1. *Management and implementation procedures*

The EGTC was designated as an intermediate body for the tasks it was delegated.

Although all monitoring and reporting tasks remained at the level of the programmes, the EGTC was responsible for monitoring progress relating specifically to the twin-city urban transport and land use strategy. The actions co-financed through the ITI were an important element of this. Therefore the joint steering committee and the EGTC discussed the progress of the urban transport and land use strategy as well as actions financed by the programmes once yearly. The outcomes formed part of the annual implementation reports drafted by the programmes.

The annual reports formed the basis for more strategic considerations in future progress reports on the effectiveness of the integrated territorial approach (as required by Article 36.4 CPR). This would not only help record implementation progress and results but also help track the effectiveness of the territorial integrated approach in relation to the objectives of the Europe 2020 strategy (as foreseen in CPR regulation) and the PAs of the relevant Member States.

8. PERFORMANCE FRAMEWORK AND MANAGEMENT AND CONTROL REQUIREMENTS

There were no specific rules concerning the performance framework. The actions under the ITI that were part of ERDF and cohesion fund programmes fell under the performance framework. Therefore, achieving milestones and targets at the level of the OP priority axes were measured carefully. The ETC programme did in fact have a performance framework, but no performance reserve. The management and control requirements are those applicable to any MA.

9. SEVEN YEARS ON

At the end of the programming period, it was clear that the projects under the ITI had an important impact on the structure of the twin city. New bus lines were constructed and a cross-border ticketing system was up and running and functioning well. A crucial cross-border missing link in the railway system was also rectified as a result of the works. All of the above resulted in a big increase in the number of people using cross-border public transport.

Two centrally located brownfield sites were developed and completely transformed the central part of the twin-city into an attractive and well-connected neighbourhood. One brownfield site proved more challenging to develop and works are ongoing.

Despite all the positives, various language and legal barriers were encountered throughout the process. There were also different administrative set-ups and rules between the programmes that needed to be dealt with pragmatically. A joint steering committee with a clear mandate from the programmes was crucial to solve such issues. It was agreed that further streamlined procedures between these types of programmes is vital for the future.

For the EGTC, a first contact with management and implementation of ESI funds was crucial for project selection, results and the monitoring of progress. The successful cooperation within the ITI led local governments to extend their cooperation to other areas.

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:
from the European Union's representations (http://ec.europa.eu/represent_en.htm);
from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
by contacting the Europe Direct service (http://europa.eu/eurodirect/index_en.htm) or calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

Priced subscriptions:

- via one of the sales agents of the Publications Office of the European Union (http://publications.europa.eu/others/agents/index_en.htm).

