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INSTRUMENT FICHE

SUD ITI

IN A NUTSHELL

Sustainable Urban Development Integrated Territorial Investment (SUD ITI) strategies were covered by Article 7 provisions, which implied a focus on integrated actions in urban areas. The goal was to ensure effectiveness and added value for urban areas by using EU funds as part of a more comprehensive and place-based strategic framework. SUD ITIs delivered this aspect of added value, while also being instrumental for the development of inter-municipal collaboration within Functional Urban Areas and having positive impacts on governance capacities.

GOVERNANCE CHARACTERISTICS

Based on Article 7 provisions, which require a focus on sustainable urban development challenges and a delegation of implementation responsibilities to sub-national organisations, SUD ITIs were managed in a more decentralised way. Governance arrangements varied depending on the territorial focus of the strategy and the presence of pre-existing inter-municipal cooperation bodies. In some contexts, municipal governments acted as Intermediate Bodies (e.g. in the Netherlands), while in other cases, management functions were delegated to formalised cooperation bodies within Functional Urban Areas (e.g. in Poland), associations of municipalities (e.g. in Slovenia), or institutions set up specifically for the ITI strategy (e.g. in Greece).

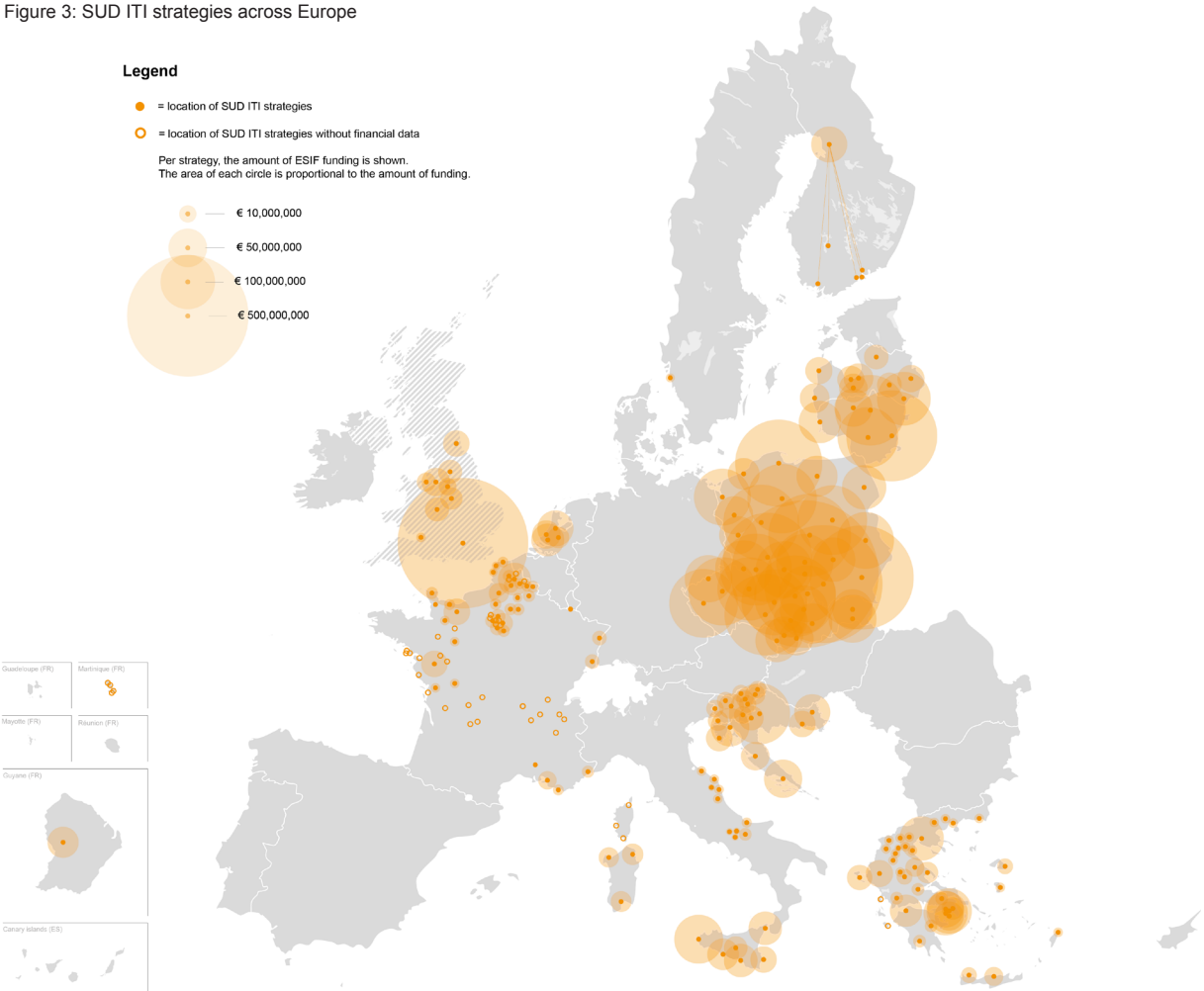
FUNDING PATTERNS

European Regional Development Fund (ERDF) and Cohesion Fund (CF) resources spent to support projects as part of SUD ITI corresponded to 35% of all spending for Territorial Delivery Mechanisms until the end of 2022. As with other Territorial Delivery Mechanisms, the share of funding channelled through SUD ITIs varied substantially. Sweden invested the smallest share of ERDF and CF resources in SUD ITI strategies (0.2%), while Malta chose to invest the largest share of its allocation of these funds (12.6%). The country that invested the most ESIF resources in SUD ITI strategies was Poland, with over €4 billion invested through this instrument as part of 24 strategies.

THEMATIC FOCUS

The thematic focus of interventions under SUD ITI was most similar to mainstream operations. Most investment focused on the low-carbon agenda. Some SUD ITIs in Functional Urban Areas and metropolitan areas concentrated resources on strengthening metropolitan governance and functional linkages across municipalities (e.g. in Poland or Czechia), with the development of integrated cross-municipal governance capacity being a key rationale for the strategies. SUD ITI strategies focusing on single cities also tended to focus on improving connectivity and mobility, boosting competitiveness, and mitigating environmental degradation. Some SUD ITIs addressed specific parts of cities to tackle area or district-scale challenges in a place-tailored way, sometimes strongly oriented towards the needs of the local community (e.g. in Sweden or the Netherlands). Generally, SUD ITIs covering larger territories addressed a greater number of different themes, while those with a smaller territorial scope tended to focus on a narrower set of thematic priorities, corresponding to the specific needs of deprived urban areas (e.g. in Rotterdam).

Figure 3: SUD ITI strategies across Europe

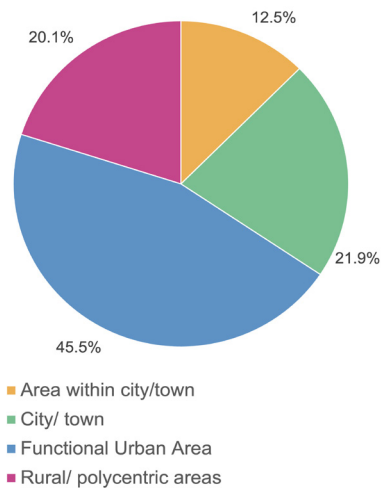


Source: STRAT-Board (JRC, n.d.).

TERRITORIAL FOCUS

The countries that implemented the largest number of SUD ITIs were France, Greece, Poland, and Italy. This Territorial Delivery Mechanism was frequently used to support development in Functional Urban Areas, but also at smaller scales of a city or its parts. In some cases, SUD ITI strategies covered several larger cities without adjacent territories (e.g. the 6Aika strategy in Finland) or were part of a national operational programme aiming to stimulate multi-level cooperation and knowledge exchange between metropolitan cities (NOP Metro in Italy). Some countries chose to focus specifically on major urban centres (Czechia, Finland, Italy, or the Netherlands). Most SUD ITIs were located in lagging regions in the Eastern and Southern parts of Europe (with some notable countries choosing not to implement SUD ITI at all, e.g. Bulgaria, Hungary, or Romania), although there were also cases in Belgium, the Netherlands, and Luxembourg where these strategies were implemented in more developed regions.

Figure 2: Share of SUD ITIs per type of territory



Source: European Commission (n.d.)

PERFORMANCE OF SUD ITIs KEY LESSONS

Pathway 1: delivering a quality, coordinated response to territorial challenges, development needs, and potentials

Enhanced strategic planning by urban authorities: Municipal governments tended to lead the strategy drafting process, which helped to improve strategic planning across

the territories covered by the SUD ITIs. However, some authorities faced significant challenges in this role due to limited experience and capacity, necessitating the outsourcing of certain tasks to consultancies. While this raised concerns about potential risks to strategic quality and local ownership, research indicated that the strategic capacity of municipalities would improve even with the involvement of external consultants.

Frameworks and guidance from the national level: The SUD ITI strategy drafting role was usually performed within frameworks set by national-level ministries and programme authorities. For instance, in Poland and Czechia, urban authorities followed a pre-defined structure for all strategies, formulated by the central government. In Rotterdam, by contrast, the strategy was drafted together by the regional ERDF Managing Authority (MA) and the national ESF MA, with inputs from a special 'urban advisory group' consisting of experts and stakeholders with local knowledge.

Improved coherence with multiple levels of policy and spatial planning: Most of the SUD ITI strategies drew on diverse strategic documents during the drafting process. This supported the coherence of the SUD ITI strategies with European, national, and sub-national plans, objectives, and targets. This included alignment with EU strategies and Operational Programmes, national regional development policies, regional-level strategies, innovation-oriented policies, and spatial planning frameworks. SUD ITIs contributed to improved strategic coordination in a multi-level governance framework and also facilitated the use of EU funding in a more place-specific manner.

Strengthening strategic cooperation and stakeholder participation: The formulation of SUD ITIs tended to initiate or formalise and consolidate strategic cooperation within Functional Urban Areas and between municipalities. This process generally improved the participation of territorial stakeholders and citizens, although the involvement of the latter often remained superficial and limited to consultations, mainly due to the limited capacity of urban authorities.

Improving territorial planning through engagement of local stakeholders: In addition to the above-mentioned strategic alignment with existing territorial strategies at different levels, active participation from local stakeholders and communities in drafting the SUD ITI strategy offered the potential to enhance territorial planning and develop more place-tailored objectives for the covered territory. However, the lack of a clear intervention logic in most cases posed a risk of an excessive focus on fund absorption, potentially undermining the quality of strategic planning.

Importance of territorial needs analysis: Research highlighted the importance of territorial needs analysis in determining priorities for SUD ITIs. There were several constraints in this process, though. In particular, the influence of programme-level priorities could be limiting in this respect. The requirement to ensure that SUD ITI operations contributed to Operational Programme targets restricted the scope for formulating place-specific priorities based on such analyses.

Centralised monitoring systems hindered strategic planning quality: While SUD strategy-level indicators produced new territorial data and insights improving strategic planning quality, the overarching focus on programme-level monitoring systems and indicators in many cases had the opposite effect. Moreover, the development dedicated monitoring systems was dependent on available capacities. Thus, SUD ITI monitoring and evaluation practices have had relatively little impact on strategic planning quality in urban areas.

Absence of an intervention logic: Case study research highlighted the weakness or even absence of a clear intervention logic in many SUD ITI strategies, which hindered the potential impact of this instrument on enhancing strategic planning capacity. While intervention logics were not mandated by regulations for, the decision to employ SUD ITI was typically made at national or programme levels. The general weakness or lack of an explicit intervention logic in SUD ITI strategies posed the risk of prioritising funding absorption over place-based strategic planning.

Strong rationale for ITI Rotterdam: linkages to domestic policies and integration of funding

In the case of Rotterdam, the SUD ITI strategy sought to integrate support for education and business in deprived urban areas in the south of the city, combining funding streams from the national ESF Operational Programme and the regional ERDF Operational Programme. The ITI benefited from the establishment of an 'Urban Advisory Group', which helped to identify and exploit synergies with pre-existing domestic policy measures. In fact, the SUD ITI aligned with the National Programme for South Rotterdam (NPRZ), which focused on addressing labour market mismatches. A strong rationale for SUD ITI was set out by integrating ESF and ERDF in this priority theme and within a particular urban area. The monitoring system for the strategy was based on existing data and new, additional indicators that were not included in the Operational Programme. That said, no specific evaluation was carried out for this strategy, as due to its small size it was covered in a broader horizontal ITI evaluation.

Pathway 2: strengthened targeting of resources according to functional and territorial rationales

Fostering strategic innovation through focus on urban areas: The regulatory mandate to focus on urban areas for SUD ITI triggered a degree of innovation in strategic planning for Cohesion Policy implementation. In most cases, combining national demarcation criteria with local adjustments of those based on the local context's analysis broadened the scope of the strategies to address the previously neglected spatial interdependencies within urban areas and functional territories. However, seizing this potential relied on flexible application of the demarcation criteria by national or programme authorities and the willingness and capacity of urban authorities explore functional links in their SUD ITI strategies.

Pragmatic considerations VS territorial rationales: In some cases, urban authorities drafting SUD ITI strategies were motivated by pragmatic considerations, such as maximising the acquisition of EU funding, addressing local political concerns, or the need to include smaller municipalities with limited capacity. This pragmatic approach happened at the expense of territorial and functional focus of the strategies. SUD ITI boundaries were sometimes aligned with city boundaries and determined in a top-down way by the central government. That said, research also identified examples SUD ITI instrument integrated strategic operations based on a functional, territorial rationale. For example, in the cases of Hradec-Pardubice (Czechia) and Lublin (Poland), the spatial demarcation of the SUD ITI according to functional linkages created a new vision for the functional territories and a basis for territorially integrated, innovative operations focused on urban regeneration or improvement metropolitan mobility services.

Strategic focus VS administrative and time pressures: SUD ITI operations often centred on flagship projects that coordinated actions across the urban territory. However, such integrated operations faced significant administrative and time pressures due to programme-level spending targets. Against this background, especially for municipalities with limited capacities and experience, there was a tendency to propose straightforward or pre-existing project plans that were not functionally integrated with other investments in the territory and could have been just as well funded through mainstream Cohesion Policy programmes.

Challenges in integration of funding: Integration of different funds, particularly ERDF and ESF, at the operational level was not evident, limiting the ability of SUD ITI strategies to address complex social and economic linkages within urban and/or functional areas. In some cases, innovative strategic project proposals that integrated social and economic dimensions could not proceed due to regulatory differences or discrepancies in the respective management systems for ESF and ERDF.

Bringing together more than 180 municipalities in the Brno Metropolitan Area

The Czech territorial government context is characterised by a high degree of fragmentation of the local government, with relatively small local authorities. In the case of the metropolitan area of Brno, there are about 180 municipalities. The city of Brno has about 400 thousand inhabitants, there are also two towns of around 20 thousand inhabitants, but more than 40% of the municipalities making up the agglomeration has between 500 and 1000 inhabitants only. This creates significant challenges in terms of coordination and capacity to deliver strategic planning and inter-municipal cooperation. The Brno SUD ITI was seen as opportunity to overcome some of these weaknesses and to effectively address shared challenges and promote sustainable development in the Functional Urban Area. The strategy brought together roughly 180 municipalities and provided funding about 120 projects in the 2014-2020 period, promoting territorial, thematic, financial and organisational integration in the agglomeration. A multilateral informal agreement was established to facilitate governance of this complex network of actors. The implementation is coordinated by the ITI manager, supported by a Steering Committee, which includes representatives of the key stakeholders from the metropolitan area. The SUD ITI strategy of Brno was renewed for the 2021-2027 period, expanding the pool the partners involved and broadening the thematic scope of the inter-municipal cooperation.

Pathway 3: contribution to the quality and capacity of policy governance, particularly at local levels

Delegation of Cohesion Policy tasks to the urban authorities: The implementation of SUD ITI clearly led to the empowerment of urban authorities through delegation of Cohesion Policy tasks, enhancing the importance of their role compared to mainstream programmes. The key delegated tasks involved establishing and operating an Intermediate Body for ERDF, which

played a crucial role in the selection of operations to receive support. This shift not only brought decision-making on Cohesion Policy investment closer to the local level (and hence also closer to citizens) but also it helped to improve the targeting of resources in this manner.

Decentralisation depended on administrative challenges and capacity: In practice, however, the extent of delegation varied depending on administrative demands and existing capacities at the local level. For urban authorities with limited experience and capacity, the SUD ITI brought new administrative challenges, prompting Managing Authorities to either limit delegation of competences to the local level or to invest in capacity-building to ensure timely implementation of strategies. Conversely, more experienced and resourceful urban authorities were able to build upon existing practices and knowledge to implement SUD ITIs.

Governance innovation and capacity-building: The implementation process for SUD ITI strategies involved setting up secretariats, working groups, and urban partnership structures, all of which contributed to improvement of capacity of urban authorities to manage Cohesion Policy across the board, even where substantial administrative capacity already existed. It was, however, in urban authorities with limited experience and capacity, where even minimal delegation of powers through SUD ITI bolstered governance capacity, also with spillover effects beyond the implementation of Cohesion Policy, through setting up new units or organisations with a broader remit for steering urban development in a strategic manner. SUD ITI implementation also strengthened vertical coordination between programme authorities and urban authorities, pushing them to collaborate closely. The process of generating and selecting projects required intensive coordination between those two levels, fostering or improving networks among the institutions involved in SUD ITIs.

Enhancing cross-boundary governance in Functional Urban Areas: In strategies involving Functional Urban Areas, the requirement for horizontal, inter-municipal coordination played a significant role in enhancing cross-boundary governance. The regulatory mandates and funding incentives of the SUD ITI strategies formalised connections between political and administrative leaders within urban authorities comprised in a Functional Urban Areas covered. These benefits, however, were conditional upon adequate engagement of urban political leaders offering sufficient support for local SUD ITI managers and striving to develop trust and consensus among the stakeholders.

Limited mobilisation of new stakeholders: SUD ITIs seldom enabled the involvement of new stakeholders from outside public administration, even if they sometimes contributed to more intensive participation of the already engaged stakeholders (e.g. in the case of SUD ITI Rijeka, Croatia, where a new Partnership Council was created to engage local stakeholders). Most strategies, in fact, supported operations implemented by the urban authorities themselves. The perceived regulatory and administrative complexity of the tool deterred potential non-state beneficiaries, especially given the competition from other domestic and Cohesion Policy funding sources for which such barriers were less prominent. However, case study research also highlighted counter-examples to this, where include where new stakeholders from outside of the local administration (e.g. universities in the case of Hradec-Pardubice, Czechia) were mobilised through the financial incentives provided by SUD ITI and the possibility of supporting new kinds of territorially targeted actions.

Vertical and horizontal coordination supported by Association of Urban Municipalities in Slovenia

In the Slovenian context, the Association of Urban Municipalities of Slovenia (ZMOS – Združenje Mestnih Občin Slovenije), grouping 12 urban municipalities in Slovenia, an organisation with substantial capacity and experience, was in charge of selecting projects for all of the country's SUD ITI strategies. ZMOS acted as an Intermediate Body and a bridge between the central government and cities. Meanwhile the urban authorities were responsible for drafting the SUD ITI strategy. This arrangement allowed for improved cooperation between cities involved on the implementation of the strategy, helped to build trust between local and national government levels, and improved awareness of Cohesion Policy goals and regulations at the urban level. This governance model also improved the effectiveness of the SUD ITI instrument in Slovenia.

Source: CEMR (2022), Ferry at al., 2018

ADDED VALUE

Tailoring investment to the specific needs of urban territories: A more place-tailored approach to the implementation of Cohesion Policy funding was the most significant aspect of added value of SUD ITIs. This was particularly significant in territories where there had previously been no formal development strategy that addressed economic, social, demographic, and environmental

challenges in an integrated way. That said, research indicated difficulties in reconciling responses to the local needs with the objectives set at the programme and national levels.

Superior outcomes to those of mainstream Cohesion Policy assistance: SUD ITIs helped to enhance the involvement of urban authorities in Cohesion Policy implementation and contributed to deepened collaboration between the programme authorities, urban authorities, and beneficiaries of EU funds, especially in urban areas. Another advantage of SUD ITIs is that they helped reduce competition or redundancy among funding applications coming from a specific urban region or group of municipalities. Moreover, SUD ITIs facilitated delivering strategic, territorially, or thematically aligned operations within cities or Functional Urban Areas, which can enable cross-fertilisation between Cohesion Policy and domestic spatial planning activities at the local and functional area scales (see ESPON, 2020).

Increased visibility of Cohesion Policy among urban stakeholders and communities: The development of SUD ITI strategies involved participatory activities that raised awareness among inhabitants and stakeholders, while the launching of strategies provided Intermediate Bodies opportunity to organise dedicated communication activities beyond those required for mainstream Cohesion Policy programmes, albeit communication challenges were still noted, especially for 'soft' projects lacking tangible outcomes.

Improved collaboration and trust-building in cross-municipal cooperation settings: SUD ITIs were often implemented in collaboration between several municipalities within a Functional Urban Area. This required that they agree on an approach to resource allocation between larger and smaller municipalities, building trust and collaborative links. In some contexts, as in Finland for instance, SUD ITI was set up linking several large cities located in different parts of the country, pushing them to collaborate closely on testing new products and services, which led to building trust, reducing unnecessary competition for funding, and addressing concerns about the dominant position of core cities.

Facilitating implementation of operations in response to COVID-19 pandemic: In some contexts, as in the case of SUD ITI in Piraeus, Greece, the territorially targeted, urban-scale resource allocation and building connections with local partners as part of the strategy were an asset to quickly deliver substantial support to local businesses in the context of the COVID-19 pandemic.

Enhanced governance structures and capacities: SUD ITI could lead to new or improved vertical and particularly horizontal coordination patterns. This concerned especially greater involvement of local authorities, communities, NGOs, and other sub-national entities in governance of territorial development, incentivised through this Territorial Delivery Mechanisms. This aspect of governance innovation triggered by SUD ITI was particularly prominent in contexts where settings where traditions of urban policy-making with grassroots involvement were limited or non-existent.

Spillover effects: SUD ITI strategies contributed to establishment of new channels of communication and collaboration spilling over beyond the implementation of this instrument. Lasting connections between urban authorities were established through collaboration on SUD it is, which reinforced broader collaboration within Functional Urban Areas and metropolitan governance structures. In addition, new partnerships that lasted beyond the implementation of the strategies were created among beneficiaries, including local universities, social and economic partners, or between urban authorities and the private sector actors. The impact of SUD ITIs also included providing an impulse to develop other place-based initiatives, especially in countries where Cohesion Policy funding was more substantial.

SUCCESS FACTORS

- **Decentralised management** could alleviate tensions between programme-level objectives and local needs identified through stakeholder involvement.

- **Effective coordination**, facilitated by a coordinating organisation close to urban authorities, was crucial for horizontal cooperation between municipalities and vertical integration across government levels.

- The effectiveness of SUD ITI implementation was largely dependent on **effective vertical coordination** among Managing Authorities, Intermediate Bodies, and beneficiaries, which mitigated the risk of not meeting targets.

- Regions with **established administrative capabilities, traditions of collaboration, and skilled local leaders** were more successful in management of the SUD ITI, while those with less experience faced challenges and limited governance innovation without capacity-building efforts.

- Integration of funding streams from ERDF and ESF at project level was facilitated by the **pre-existing cooperation between the municipal departments** responsible for social affairs and economic development, as seen in Dutch cities where such patterns of collaboration were well-established and helped to overcome bureaucratic silos.

BARRIERS AND CAVEATS

Barriers in project selection and absorption: Difficulties in multi-level project selection processes could be encountered, leading to concerns about the slow absorption of funds, as seen, for instance in ITI Piraeus. The regulatory complexity and administrative burdens also caused significant delays in project implementation.

Capacity and stakeholder engagement challenges: As for other Territorial Delivery Mechanisms, capacity issues often limited the engagement of stakeholders from outside of the city boundaries, within the wider Functional Urban Area. This challenge was particularly evident in the difficulty of making the SUD ITI strategies and projects relevant both to the territory covered and to the objectives of the Operational Programme, as seen for instance in Czechia.

Limitations in delegation and governance innovation: Delegation of competences related to SUD ITI strategy to urban authorities was sometimes limited to the drafting of strategies, such as was the case in Slovenj Gradec ITI, Slovenia. This limited the opportunities for municipalities to develop governance capacity and curtailed the potential of this Territorial Delivery Mechanism to trigger governance innovation by creating of new linkages across municipal boundaries, particularly when the territorial focus of the strategy was restricted to a single city.

Initial lag and subsequent acceleration in implementation: The new rules for and administrative burdens in implementing SUD ITI operations initially caused the implementation of these projects to lag behind funding implemented through mainstream Cohesion Policy approach. However, funding absorption rates accelerated over time as experience of the stakeholders involved and their capacity developed. In some cases, the pace of implementation of SUD ITIs eventually surpassed those of the mainstream operations in the Operational Programmes.

Centre-periphery tensions in Functional Urban Areas: The relevance of territorial strategies was sometimes undermined by differences between the thematic focus of the strategies elaborated and the stakeholders' perceptions of pressing investment needs within the wider Functional Urban Areas. For example, in Czechia, prioritising research and innovation resulted in concentrating support in core cities, where research institutions and universities were located, at the expense of efforts to address other development challenges in the areas surrounding the metropolitan core.

Regional disparities in cooperation experiences: Local capacities and the experience of local actors were important success factors in implementation of SUD ITIs, especially in Functional Urban Areas. In some countries, there are significant differences in experience in collaboration across municipal boundaries across urban regions, as illustrated by the case of Poland. The Polish regions with greater experience and traditions of collaboration among local authorities, including those with informal ties between them, tended to be more successful implementation of SUD ITIs, whereas urban regions without or with negative experiences of cross-municipal cooperation struggled with difficulties in implementing this type of Territorial Delivery Mechanism.

Integrating funding sources proved challenging: While in some contexts local authorities managed to combine funding from ERDF and ESF Operational Programmes as part of their SUD ITI strategies, integrating joint ERDF-ESF support within individual often projects posed difficulties due to the need to move beyond administrative silos within local administrations related to the specific thematic foci of these funds.

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