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INSTRUMENT FICHE

SUD PrAx

IN A NUTSHELL

Sustainable Urban Development (SUD) strategies were implemented through dedicated Priority Axes (SUD PrAx) within Operational Programmes). Covered by Article 7 of the European Regional Development Fund (ERDF) regulation, these strategies required the delegation of programme management tasks to local authorities and primarily targeted urban areas. SUD PrAx often leveraged previous experiences, particularly where earlier OPs had SUD-related priorities. This had positive effects on strategic quality, functional linkages, and the empowerment of local authorities. However, innovation in governance and visibility were somewhat limited.

GOVERNANCE CHARACTERISTICS

Diverse governance approaches characterised the implementation of SUD PrAx. Italy and Germany, with their decentralised and federal structures, delegated significant authority to regional and local bodies. Estonia, by contrast, opted for a more centralised approach. Meanwhile, Spain and Hungary adopted intermediary models, blending centralised planning with delegated project selection and implementation at the local level. Across all cases, some form of multi-level governance involving national, regional, and local authorities was observed. Local authorities frequently played important roles, occasionally collaborating with non-state stakeholders in shaping and implementing the strategies.

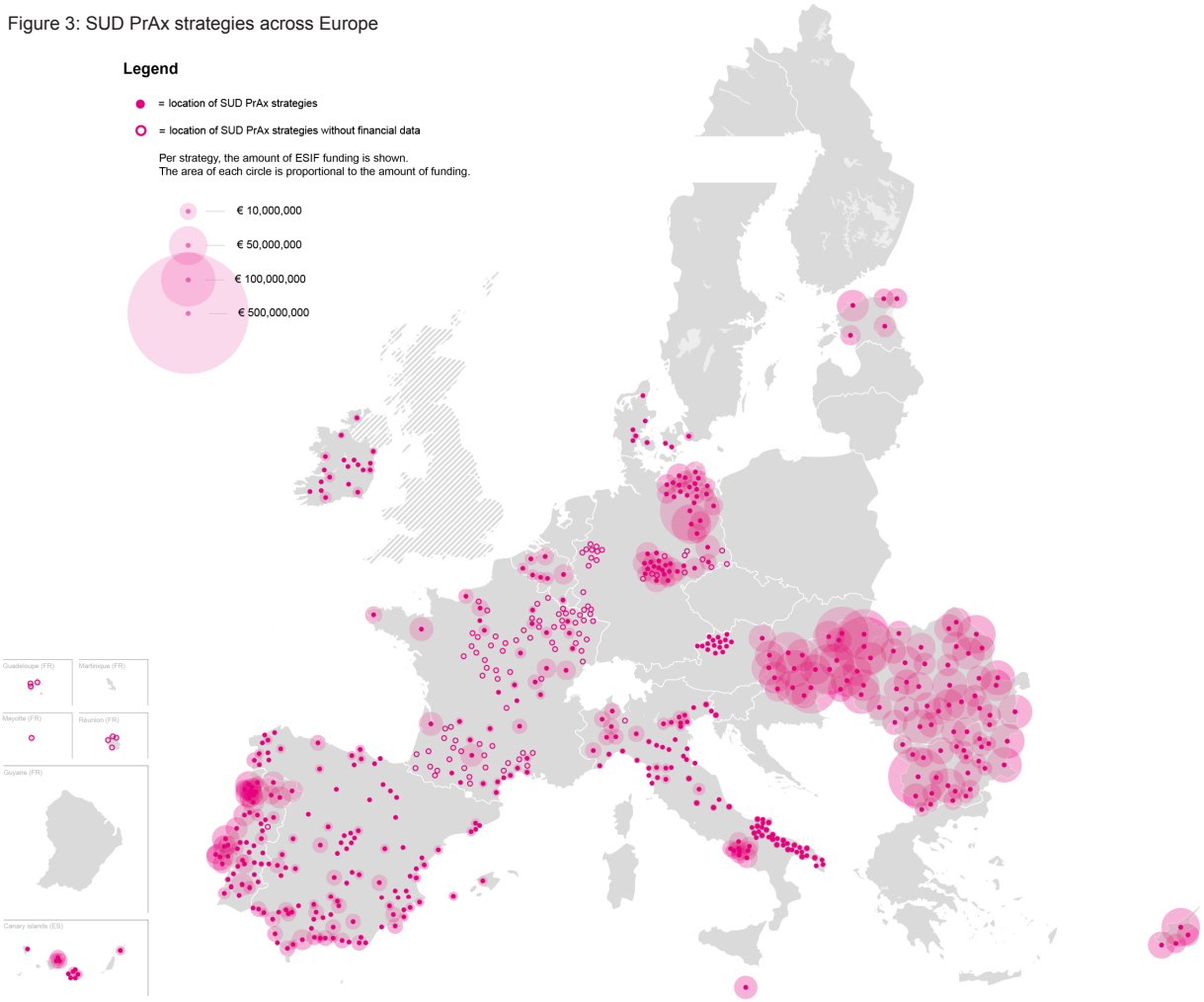
FUNDING PATTERNS

Under SUD PrAx, almost all funding allocated came from the ERDF. Only four Member States used ESF funding (Belgium, Germany, Hungary, and Italy), which represented just 2% of the total funding allocated under this type of Territorial Delivery Mechanism. Romania contracted the most ERDF resources for SUD PrAx (€2 billion), followed by Spain (€996 million), while Denmark contracted the smallest amount (€7.9 million). Some countries, such as Hungary and Romania, adopted a financially concentrated approach by setting relatively large budgets for SUD PrAx strategies. Others, like France, Germany, Spain, Italy, and Ireland, opted to support higher numbers of strategies with relatively smaller allocations of funds. Absorption of funds under SUD PrAx by the end of 2023 stood at 71%, performing slightly below mainstream Cohesion Policy.

THEMATIC FOCUS

SUD PrAx strategies primarily focused on supporting investments in the low-carbon economy, followed by investments in environmental protection and social inclusion. However, substantial resources were also allocated to priorities related to the revitalisation or regeneration of specific urban areas. In Less Developed Regions, SUD PrAx emphasised actions related to the shift towards a low-carbon economy, environmental promotion, and sustainable employment. In cities and districts targeted by SUD PrAx strategies, the focus was on improving the urban environment and providing services to enhance the quality of life, either broadly or for specific social groups or neighbourhoods. Strategies often combined regeneration of urban spaces with sustainability and social inclusion.

Figure 3: SUD PrAx strategies across Europe

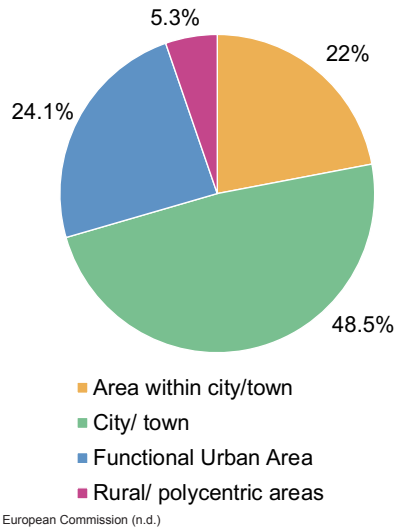


Source: STRAT-Board (JRC, n.d.).

TERRITORIAL FOCUS

Out of the 16 countries where SUD PrAx was implemented, the largest numbers of strategies were deployed in the bigger Member States, including Spain (173), France (151), Italy (112), and Germany (103), but also large number of strategies was implemented in the relatively smaller Portugal (105). Bulgaria, Romania, and Hungary deployed a relatively large number of strategies (39, 39 and 22, respectively), spreading them evenly across their national territories, while some larger countries concentrated SUD PrAx in specific areas (often in Less Developed regions), as was done in Germany and Austria, or Italy. Funding through SUD PrAx primarily targeted cities and towns. Most strategies covered entire territories of single cities or towns, with many also encompassing Functional Urban Areas or smaller areas within city boundaries. Some strategies, however, were implemented in rural or polycentric areas.

Figure 2: Share of SUD PrAx per type of territory



Source: European Commission (n.d.)

PERFORMANCE OF SUD PrAx KEY LESSONS

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

Lack of explicit rationale for the strategies: Many strategies selected for SUD PrAx lacked a clear territorial intervention logic. Instead, their rationale was implicitly based on compliance with higher-level decisions and accessing funding opportunities. While SUD PrAx generally

addressed identified urban needs in the cases studied, the strategies would have benefited from clearer and more explicit descriptions of their strategic objectives.

Different extent of stakeholder involvement in strategy formulation: Research across case studies highlighted a spectrum of approaches to stakeholder involvement in developing SUD PrAx strategies. These ranged from centralised approaches predominantly involving local authorities (e.g., Tartu) to highly participative strategies focused on community engagement (e.g., Tenerife, Spain, and Gelsenkirchen, Germany). The extent of involvement depended on decisions by Managing Authorities and the presence of domestic regulations supporting broader stakeholder engagement. Some cases showed a blend of top-down decision-making and bottom-up engagement (e.g., Soria, Spain; Rosignano Marittimo, Italy; Kaposvár, Hungary). Notably, even in contexts where inter-municipal cooperation in Functional Urban Areas was limited, participation restricted to local authorities still yielded significant added value.

Strategic quality strengthened by linkages to pre-existing strategies and plans: The alignment and implementation of integrated strategies within SUD PrAx varied considerably across cases, reflecting diverse domestic planning and implementation approaches in urban development. Strategies that closely aligned with local development plans benefited from enhanced strategic prioritisation and cross-sectoral integration. The additional benefit of this was that it helped emphasise the distinctiveness of SUD PrAx as urban development initiatives, mitigating the problem of limited visibility of these strategies being subsumed within an Operational Programme structure.

Monitoring and evaluation based on OP indicators: SUD PrAx strategies were anchored within Operational Programmes, incentivising monitoring and evaluation based on programme-specific indicators. However, these systems were often insufficient to capture the integrated territorial effects of SUD PrAx. This limitation complicated the evaluation of outcomes, a challenge shared with other Territorial Delivery Mechanisms.

Enhancing Local Development with SUD PrAx in Kaposvár, Hungary

The SUD PrAx strategy significantly contributed to the city's broader development initiatives. The strategy particularly focused on ensuring alignment between the SUD PrAx strategy and local development plans, which informed project selection and guided implementation. Implementation drew funding not only from the SUD PrAx strategy but also from other sectoral Cohesion Policy programmes, national initiatives, and the city's own resources. Kaposvár's overarching strategy facilitated the coordination and integration of these funding sources, aiming to create synergies and support specific projects. This approach enabled projects, such as the rehabilitation of the city's hospital blocks, effectively leveraging funding from all four sources.

Pathway 2: strengthened targeting of resources according to functional

Encouraging focus on functional linkages at strategy level: The regulatory requirement to delineate urban areas for SUD PrAx emphasised functional linkages, including urban-rural relations and interdependencies within Functional Urban Areas, rather than administrative boundaries. As a result, SUD PrAx strategies promoted attention to spatial interdependencies across municipal boundaries by integrating both top-down and bottom-up approaches in defining their territorial coverage. For instance, in Estonia, Functional Urban Areas for SUD PrAx strategies were defined by Managing Authorities, focusing on cities with populations larger than 50,000. By contrast, in Spain, there was more flexibility for a bottom-up approach in territorial demarcation for SUD PrAx strategies, where local authorities could propose strategies based on micro-zoning, focusing on individual cities.

Towards territorially integrated projects: Research identified examples of large strategic measures comprising interlinked operations or territorially networked projects, especially in SUD PrAx strategies targeting Functional Urban Areas (e.g. in Rosignano Marittimo, Italy). Although preparing such interlinked projects was time-consuming and demanding, functional linkages between operations were supported, even when the strategies' territorial coverage was based on administrative boundaries. Operations were often related to investments supported by domestic funding streams. However, the integrated character of interventions was limited by difficulties in integrating ERDF and ESF funds within operations due to regulatory differences and siloed management structures for these funds.

Micro-zoning for the SUD PrAx strategy in Soria, Spain

In Spain, cities of all sizes were eligible to apply for implementing SUD PrAx strategies, with some opting for micro-zoning to concentrate resources on specific areas poised to enhance urban development. For instance, Soria, a municipality with a population of c. 39,000 in one of Spain's least populated provinces, adopted a SUD PrAx strategy that focused on its historical centre known as 'Intramuros'. This approach targeted cultural, demographic, and architectural indicators identified by the local government of Soria. While this strategy did not explicitly address functional linkages across municipal boundaries, it underscored a commitment to revitalising an area of significant historical and cultural importance rather than broader territorial dynamics.

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

Limited governance innovation: Unlike some other Territorial Delivery Mechanisms, SUD PrAx had a more limited effect on governance innovation. Management often relied on existing organisational structures. While this supported effective strategy management, it offered little incentive to establish new structures and coordination procedures.

Empowerment of local governments and enhanced inter-municipal cooperation: Despite the smaller scope for governance innovation, local governments took on management tasks in preparing and implementing SUD PrAx strategies. This empowerment allowed for more locally informed decision-making than under mainstream Cohesion Policy. Additionally, research showed that local governance was strengthened within Functional Urban Areas where SUD PrAx strategies were deployed, incentivising closer inter-municipal cooperation, especially in urban areas where such cooperation was underdeveloped (e.g. Tartu, Estonia). However, this collaboration mostly involved local authorities. Relatively low funding in some contexts and the subsuming of SUD strategies within a Priority Axis of an Operational Programme reduced the visibility of these new instruments and their ability to mobilise new local stakeholders, despite some Intermediate Bodies encouraging non-urban actors to participate (e.g. Gelsenkirchen, Germany).

Establishment and strengthening of urban partnerships and networks: SUD PrAx implementation created opportunities to establish or strengthen existing formal and informal networks and urban partnerships, incentivising horizontal, inter-municipal coordination in Functional Urban Areas (FUAs). Furthermore, SUD PrAx facilitated collaboration and knowledge sharing within broader networks (e.g. the establishment of the Urban Initiatives Network in Spain). Involvement in these networks helped develop administrative capacity. However, these networks tended to focus on urban authorities, with limited involvement of non-public local stakeholders.

Strengthening inter-municipal cooperation in Tartu, Estonia

In Estonia, SUD PrAx strategies were implemented within a centralised governance framework, which had limited traditions of inter-municipal cooperation. The central government managed the strategies, while cities were designated as Intermediate Bodies. Tartu's SUD PrAx strategy positively impacted urban governance, focusing on the Functional Urban Area. This was Tartu's first experience with such a territorial instrument, requiring the establishment of a comprehensive coordination framework between municipalities within the agglomeration. Informal steering groups and the project evaluation committee were crucial in preparing, implementing, and monitoring urban strategies. These entities facilitated inter-municipal coordination, ensuring that municipal development strategies were cohesive and aligned with broader functional area objectives. Existing networks at local, county, and national levels were essential in facilitating dialogue and information sharing to support cooperation as part of SUD PrAx. Ultimately, this approach helped to avoid duplication of investment and established new collaborative processes across municipal boundaries to address shared development needs. It leveraged pre-existing structures, ensuring stakeholder engagement across different levels in a collaborative process.

ADDED VALUE

Strengthening strategic capacity and mindset: SUD PrAx has strengthened strategic capacity and mindset among urban authorities, enabling them to see the connections between individual projects and funding sources, while at the same time, working more closely with stakeholders in formulation of strategies that could better address local needs. This integrated approach, although

still facing regulatory and capacity constraints, encouraged a broader strategic vision among urban planners and policy-makers. Moreover, strategic project appraisal methods were developed for the purpose of SUD PrAx strategies, prioritising projects that solve specific urban issues or address common urban challenges.

Spillover effects for planning and governance: There is evidence that SUD PrAx strategies have exerted positive influence beyond the strategy implementation, strengthening intra-municipal collaboration and influencing regional development measures. This integrated approach has contributed to a broader improvement of capacity in urban planning and governance which can have positive effects in the longer-term. In particular, collaboration with stakeholders under SUD PrAx strategies initiated new lines of intra- and inter-municipal collaboration along functional linkages.

SUCCESS FACTORS

- **High levels of administrative capacity**, as with any other Territorial Delivery Mechanisms, were an important factor facilitating the processes of strategy elaboration and navigating the complexities of the SUD PrAx instrument.
- **Building on past experiences** with integrated urban development approaches and the already established platforms for ongoing dialogue between national, regional, and local actors facilitated cross-level and horizontal coordination and implementation of strategies.
- In the absence of such well-embedded platforms for coordination, **informal groups and committees** can effectively support the formulation, implementation, and monitoring of strategies.
- **Broader networks connecting stake-holders at different levels** can enable knowledge-sharing and finding solutions to challenges, and enhance collaboration.
- **Strategy-specific and diverse communication actions** on SUD PrAx can help overcome the challenges of the relatively lower visibility of this instrument.

BARRIERS AND CAVEATS

Initially slow financial implementation: Despite building on existing approaches where Operational Programmes (OPs) already covered Priority Axes for sustainable urban development, the unique demands of implementing SUD PrAx operations meant they initially lagged behind other programme priorities. However, similar to other Territorial Delivery Mechanisms, implementation rates accelerated over the programming period as participants gained more experience and knowledge.

Drawbacks of subcontracting strategy development: Strategic quality, potential for triggering capacity-building processes, and local ownership were undermined in cases where SUD PrAx strategy formulation was subcontracted to consultants.

Relatively low visibility: Subsuming the strategy within a programme structure risked limiting its visibility as a distinct urban development initiative rather than a programme priority. This issue was exacerbated when communication and information arrangements mirrored other programme priorities rather than highlighting the uniqueness of the strategy. Low involvement of private and civic partners was also noted, partly due to reduced visibility and partly due to a generic approach to mobilising territorial actors typical of Operational Programmes.

Programme priorities limited the place-based character of strategies: SUD PrAx, embedded within specific Operational Programme priorities, had less flexibility compared to other Territorial Delivery Mechanisms in integrating with other programme priorities to deliver more cohesive strategies. Therefore, the scope of themes supported by SUD PrAx strategies was constrained by the thematic focus of the specific OP Priority Axis, which restricted its place-based potential.

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