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BASELINE STUDY: STATE OF THE ART

CO-PRODUCTION OF INTEGRATED URBAN DEVELOPMENT UNDER ARTICLE 7

CIA 7 - Cities in Article 7
Implementation Network

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CIA 7 is a network of European cities, funded by the European Union in the frame of the URBACT III Programme. The CIA 7 partners have a common need to improve the implementation of their existing integrated urban strategies or action plans under Article 7 of the ERDF regulation. New tools of implementation and funding of interlinked actions for integrated urban development have been introduced. Managing Authorities and cities need to act as partners to fulfil the objectives developed in the Operational Programmes. Innovative approaches of multilevel governance and co-operation have to be applied and shared. The step from planning to implementation and funding with shared responsibilities is a joint policy challenge the partners of the CIA 7 URBACT Implementation Network are exploring.

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CONTENT

INTRODUCTION 4

1. THE EU CONTEXT: ARTICLE 7 AND SUSTAINABLE URBAN DEVELOPMENT 6

2.1 ARTICLE 7 OF THE ERDF REGULATION 6

2.2 THE URBAN DIMENSION IN COHESION POLICY 2014-2020 7

2.3 ARRANGEMENTS UNDER ARTICLE 7 8

2. OVERVIEW OF KEY IMPLEMENTATION CHALLENGES AND HOW THEY LINK TO THE POLICY FIELD 12

3.1 DELIVERY – ENSURING THE INTEGRATED APPROACH IN THE DELIVERY OF THE STRATEGY AND THEIR RELATED ACTIONS/PROJECTS (MANDATORY CHALLENGE NO. 1) 12

3.2 INVOLVEMENT – MAINTAINING INVOLVEMENT OF LOCAL STAKEHOLDERS AND ORGANISING DECISION-MAKING FOR DELIVERY (MANDATORY CHALLENGE NO. 2) 13

3.3 IMPACT – SETTING UP EFFICIENT INDICATORS AND MONITORING SYSTEMS TO MEASURE PERFORMANCE (MANDATORY CHALLENGE NO. 3) 15

3.4 QUALIFYING PROCESS – MOVING FROM STRATEGY TO OPERATIONAL ACTION-PLAN (OPTIONAL CHALLENGE NO. 4) 16

3.5 PPP – SETTING UP PUBLIC PRIVATE PARTNERSHIPS FOR DELIVERY (OPTIONAL CHALLENGE NO. 5) 17

3.6 PROCUREMENT – DESIGNING SMART PUBLIC PROCUREMENT FRAMEWORKS (OPTIONAL CHALLENGE NO. 6) 18

3.7 FINANCIAL INNOVATION - ENHANCING FUNDING OF URBAN POLICIES BY EXPLORING FINANCIAL INNOVATION (OPTIONAL CHALLENGE NO. 7) 19

LEARNING BY DOING – CITIES IN ARTICLE 7 20

REFERENCES 21

INTRODUCTION

The State of the Art is the first part of the Baseline Study on the CIA 7 network which also includes the Partner Profiles and a Synthesis. It reflects on the experiences and debates of integrated urban development which became the reference framework of the current European funding period 2014-2020. The focus is on Article 7 of the ERDF regulation which introduced innovative tools of implementation and funding of interlinked actions. Managing Authorities (MA) and cities in this context need to act as partners to fulfil the objectives developed in the Operational Programmes. Innovative approaches of multilevel governance and co-production have to be applied and shared. New roles have to be tested based on an analysis of interests of the involved stakeholders in the decision-making processes.

The step from planning to implementation and funding with shared responsibilities is a joint policy challenge which all partners of the CIA 7 URBACT Implementation Network are exploring. The exchange and learning activities on the promotion of attractive and strong urban areas and social inclusion in a way that enhances the quality of the natural and physical environment and the quality of life of the inhabitants will develop around this common policy challenge.

The urban dimension of cohesion policy in the programming period 2014-2020 has been strengthened by new instruments in the Operational Programmes for sustainable development in cities. An allocation of a minimum of 5% of the national ERDF envelope was foreseen for this purpose with Article 7 of the ERDF regulation N° 1301/2013 (European Commission 2013a). From a recent DG REGIO overview, the total allocation is about EUR 14.5 billion which is 7.8% of ERDF, exceeding the minimum clearly. Half of the Member States spend much more than 5% (Matkó 2016). Many expectations are being raised on these new instruments in terms of efficiency and improvement of the implementation of sustainable and integrated urban policies and practices, also in terms of governance empowering cities by delegating some MA functions – at least project selection.

The 'integrated approach' has become a recurring topic in European cohesion policy developing over more than two decades. The Urban Acquis (2005) based on the experiences with the Community Initiative URBAN I (1994-99) and URBAN II (2000-06), the Leipzig Charter on Sustainable Cities (2007) and later the Toledo Declaration (2010) laid the ground with the definition of principles of integrated urban development. This philosophy fostered and structured a debate on a stronger role of cities and the needs of integrated urban regeneration in European mainstreaming.

From a European overview five years after adopting the Leipzig Charter emerges a general shift towards integrated approaches, even though still with different speeds and activities. "This can be attributed to the fact that there is no single urban model in Europe – environments, problems and potentials differ not only from country to country, but also from city to city. On top of this, urban policy has a different relevance in the various EU member states, its candidate countries as well as in Norway and Switzerland, and is therefore not supported to the same extent at national level." (BMVBS 2012, p. 21)

In his 2009 report for the European Commission Fabrizio Barca 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. "A place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multi-level governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes." (Barca 2009, p. VII)

Facing the economic crisis, in June 2010 the European Council adopted the Europe 2020 Strategy for smart, sustainable and inclusive growth which was also the economic policy background for the 2014-2020 EU budget (European Commission 2010). Cohesion policy under this influence has shifted to result orientation with more efficient and effective interventions and a cross-cutting dialogue between stakeholders, a necessity in front of the major challenges stressed also in the URBACT study on Cities facing the crisis, "the challenge of unemployment and the challenge of managing our cities in a period of major cuts in public expenditure" (URBACT 2010, p. 5).

In the Cities of Tomorrow report from 2011 the multilevel governance challenges have been further developed: "New relations are being forged between different levels, e.g. between the European and the local levels. The range of actors involved in policy-making and policy shaping needs to be widened to include diverse stakeholders, including citizens. In essence, policies have to operate in a multiscalar governance framework." (European Commission 2011, p. 93)

A place-based approach is challenging because it demands cross-sector and cross-department thinking and acting, at all administrative levels, together with a mixed and integrated funding. The outcomes from the study on 50 good practices on urban development funded by ERDF in 2007-13 stress how „physical regeneration is still a major driver in creating multi-stakeholder cooperation in the integration of policies. However, in the best examples, both people and place-based approaches are combined at relevant administrative levels. This combination of place-based and people-based approaches is most visible in those cases where the national level is committed to developing the two approaches together." (European Commission 2013b, p. 59)

Area-based interventions within an integrated city-wide urban development strategy are most effective means, as the findings from URBACT II confirm: Cities need to act in a comprehensive way, coordinating policies (e.g. spatial intervention on housing, urban planning, mobility with cultural, social and economic interventions), and the work with the community, civil society organisations, with the private sector and other relevant stakeholders. But this is not yet mainstreaming: Integrated urban development needs a radical shift to demonstrate the effectiveness of area-based and cross-sector approaches. "The integrated approach demands a management innovation in local government – it demands a paradigm shift in the way local government manages policy fields, multi-level governance and functional areas" (European Commission 2013b, p. 31).

This is in brief the context and the starting point for the "Cities in Article 7" (CIA 7) Implementation Network with the European Metropole of Lille, France as the Lead Partner. With a strong will of 'learning by doing' it goes to explore how cities benefiting from ERDF funding for the implementation of integrated urban strategies under Article 7 of the ERDF regulation are facing the mentioned challenges and making use of the potentials in terms of management innovation in local government.

1. THE EU CONTEXT: ARTICLE 7 AND SUSTAINABLE URBAN DEVELOPMENT

2.1 Article 7 of the ERDF regulation

The Implementation Network CIA 7 is dealing with newly introduced instruments for funding which intend to stimulate integrated urban development projects and actions. The integrated interventions have to be part of city-wide (or functional area-wide) development strategies. The urban dimension in cohesion policy in the ongoing programming period 2014-2020 has been strengthened. The legal basis is Article 7 of the ERDF Regulation (N° 1301/2013) where sustainable urban development in operational programmes is defined as follows (European Commission 2013a):

1. The ERDF shall support, within operational programmes, sustainable urban development through strategies that set out integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, while taking into account the need to promote urban-rural linkages.

2. Sustainable urban development shall be undertaken through Integrated territorial investment as referred to in Article 36 of Regulation (EU) No 1303/2013, or through a specific operational programme, or through a specific priority axis in accordance with point (c) of the first subparagraph of Article 96(1) of Regulation (EU) No 1303 /2013.

3. Taking into account its specific territorial situation, each Member State shall establish in its Partnership Agreement the principles for the selection of urban areas where integrated actions for sustainable urban development are to be implemented and an indicative allocation for those actions at national level.

4. At least 5% of the ERDF resources allocated at national level under the Investment for growth and jobs goal shall be allocated to integrated actions for sustainable urban development where cities, sub-regional or local bodies responsible for implementing sustainable urban strategies ("urban authorities") shall be responsible for tasks relating, at least, to the selection of operations in accordance with Article 123(6) of Regulation (EU) No 1303/2013, or, where appropriate, in accordance with Article 123(7) of that Regulation. The indicative amount to be dedicated for the purposes of paragraph 2 of this Article shall be set out in the operational programme or programmes concerned.

5. The managing authority shall determine, in consultation with the urban authority, the scope of tasks, to be undertaken by urban authorities, concerning the management of integrated actions for sustainable urban development. The managing authority shall formally record its decision in writing. The managing authority may retain the right to undertake a final verification of eligibility of operations before approval.

2.2 The urban dimension in cohesion policy 2014-2020

Besides Article 7 which defines a new way of allocating ERDF resources in the operational programmes within the single national allocation frameworks, a range of new tools and opportunities have been introduced by the EU Commission to strengthen and disseminate integrated urban development approaches and practices. They are characterized by a stronger direct guidance role of the European level towards cities and urban areas.

Article 8 of the EU Regulation No 1301/2013 is concerned with Urban Innovative Actions, directly managed and funded by the EU Commission. The Urban Innovative Actions (UIA) initiative has been created to identify and test new approaches to the challenges faced by cities, with a total of EUR 371 million over a seven-year period. Pilot projects are selected through calls for proposals with an ERDF contribution not exceeding EUR 5 million per project, a co-financing rate of maximum 80%, and maximum three-year duration. The topics of the calls are defined annually by the Commission. The management of Urban Innovative Actions is delegated to the Hauts de France Region in France.

Article 9 of the EU Regulation No 1301/2013 deals with the establishment of the Urban Development Network (UDN). The UDN is organizing an exchange and capacity building platform of more than 500 cities/urban areas across the EU responsible for implementing integrated actions based on Sustainable Urban Development strategies financed by ERDF in the 2014-2020 period (Articles 7 and 8). It establishes a direct dialogue between the European Commission and cities on sustainable urban development.

After a longer consultation, the Urban Agenda for the EU was adopted at the Informal Meeting of EU Ministers in May 2016 with the Pact of Amsterdam (Urban Agenda for the EU 2016). This policy document is strengthening the urban dimension focusing on “Better regulation - Better funding - Better knowledge (base and knowledge exchange” offering another opportunity for exchange and learning. 12 priority themes have been identified: These themes will be explored in innovative partnerships, where the European Commission, Member States, European cities, NGOs and business partners will work together on policy proposals to ensure that the urban dimension is strengthened in the overall EU policies. Some of the thematic partnerships have already started their activities.

- Air quality (Start: 2016)
- Housing (Start: 2016)
- Inclusion of migrants and refugees (Start: 2016)
- Urban poverty (Start: 2016)
- Jobs and skills in the local economy (Start: 2017)
- Circular economy (Start: 2017)
- Digital transition (Start: 2017)
- Urban mobility (Start: 2017)
- Climate adaptation (Decision: early 2017)
- Energy transition (Decision: early 2017)

- Sustainable use of land and nature-based solutions (Decision: early 2017)
- Innovative and responsible public procurement (Decision: early 2017)

These partnerships will develop thematic contributions at European level which can also inform the work of the implementation networks. Some partners or respective Managing Authorities are involved in these partnerships guaranteeing a direct access to the information collected.

2.3 Arrangements under Article 7

The new instruments introduced under Article 7 want to stimulate the integrated approach at different levels and spheres: with a functional territorial perspective, more delegation of management tasks to the local level and a financial mix from different structural funds and related operational programmes. Funding has to be based on sustainable urban development strategies addressing urban challenges or urban-rural linkages. Three main arrangements under Article 7 are possible:

- A specific priority axis of an operational programme dedicated to Sustainable Urban Development
- A specific operational programme dedicated to Sustainable Urban Development
- Integrated Territorial Investments (ITI): a certain part of the financial allocation of one or more priority axes of one or more operational programmes can be implemented through it.

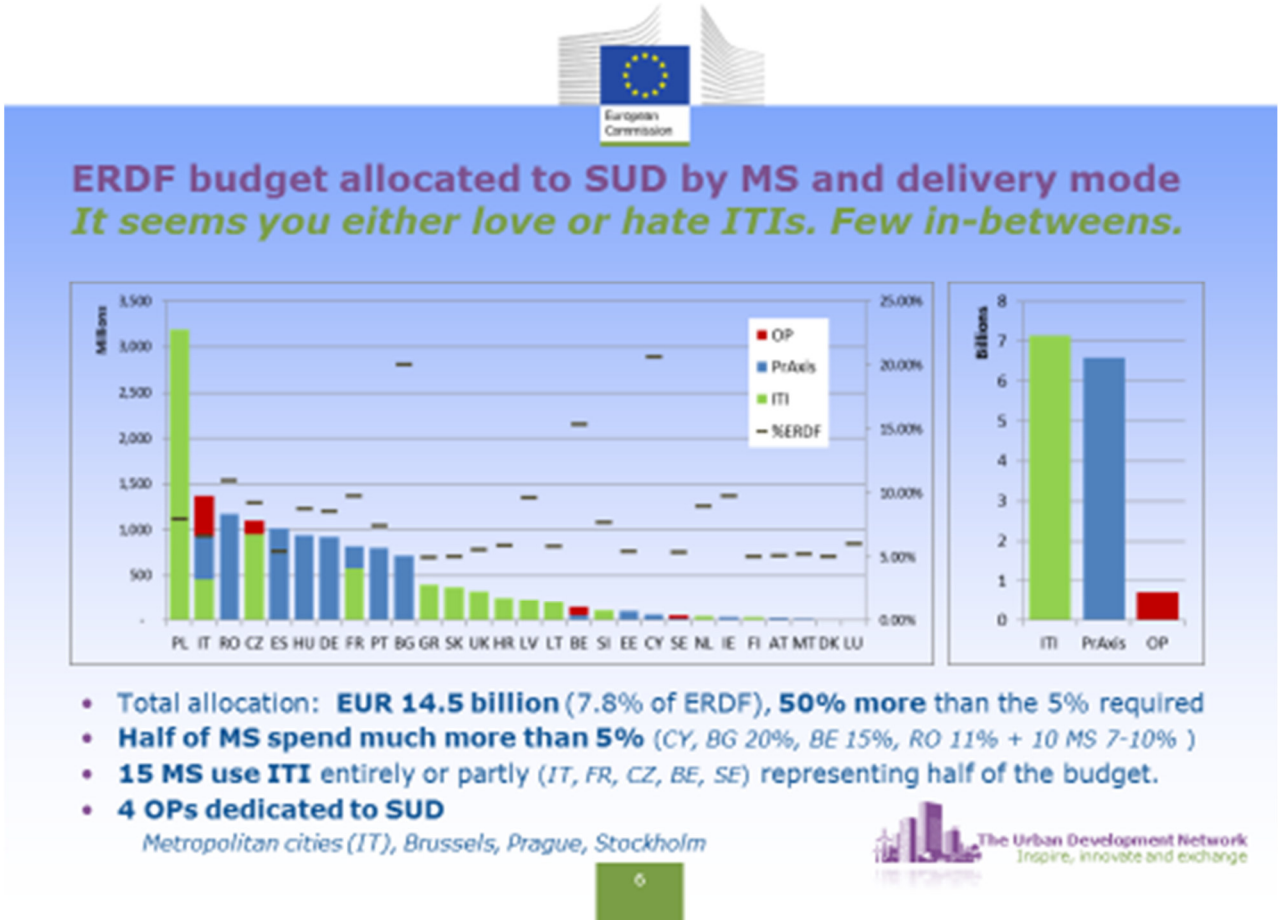
What can be observed from the first insights is a broad range of applying Article 7 in the different national contexts. There is not one simple and singular way of implementation due to the variety of framework conditions. For instance, there are only 4 specific Operational Programmes: the national Metropolitan Areas Programme (PON Metro) in Italy and three capital cities (Brussels, Prague, Stockholm). The rest of the EU is evenly divided between ITI and priority axis: Sustainable urban development only in regional OPs can be found in Germany, Ireland, France, Greece, Italy (+ PON Metro), Poland, Portugal and Sweden. 18 Member States are dealing with a single national or multi-regional OP.

The regulatory obligation foresees a minimum of 5% of the national ERDF allocation to be programmed for sustainable urban development (SUD) under these three arrangements. From a recent overview of DG REGIO it becomes evident that half of the Member States spend much more than 5% for SUD (Cyprus, Bulgaria 20%, Belgium 15%, Romania 11%; Poland, Czech Republic, Hungary, Germany, France, Portugal, Latvia, Slovenia, Netherlands, Ireland: between 7 and 10%). The total allocation is around 14.5 billion € which means 7.8% of ERDF (Matkó 2016).

The most requested investment priorities are:

- Energy efficiency, use of renewable energy in public buildings and housing;
- Sustainable, multimodal transport;
- Improvement of urban environment (brownfields, heritage, water, waste, air quality, noise);
- Social inclusion and poverty reduction.

Member States have not been obliged to use ITI as an instrument, but most of the Member States have decided to use it. 15 Member States use ITI entirely or partly (Italy, France, Czech Republic, Belgium, Sweden) representing half of the budget. This feedback from the Member States seems to be a confirmation of what was observed at the start of the implementation process: "The high level of interest in ITI in many Member States suggests it 'fills a gap' and that the tool is considered useful for implementing territorial approaches" (van der Zwet 2014).



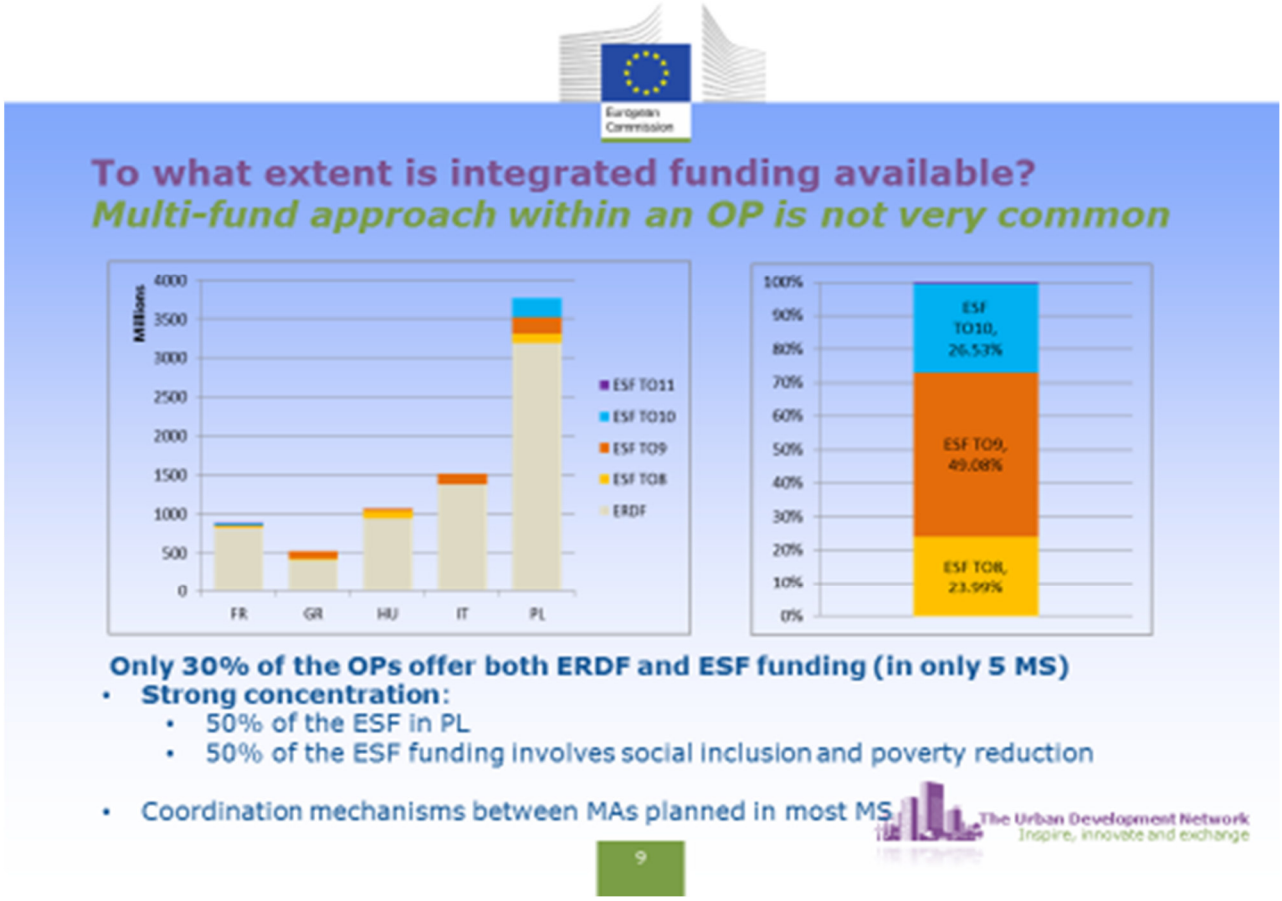
ERDF budget allocated to SUD by MS and delivery mode (Source: Matko 2016)

The EU Commission explained the character of the new tool ITI at the beginning of the funding period in a factsheet as follows: "ITI is a tool to implement territorial strategies in an integrated way. It is not an operation, nor a sub-priority of an Operational Programme. Instead, ITI allows Member States to implement Operational Programmes in a cross-cutting way and to draw on funding from several priority axes of one or more Operational Programmes to ensure the implementation of an integrated strategy for a specific territory. As such, the existence of ITI will both provide flexibility for Member States regarding the design of Operational Programmes, and enable the efficient implementation of integrated actions through simplified financing. It is important to underline that ITIs can only be effectively used if the specific geographical area concerned has an integrated, cross-sectoral territorial strategy." (European Commission 2014)

Within the ITI management the Managing Authority may designate intermediate bodies, including local authorities, regional development bodies or non-governmental organisations, to carry out some or all of the

management and implementation tasks. At least the delegation of the selection of operations is an obligatory requirement (European Commission 2014). One of the expressed aims 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” (European Commission 2015, Preface).

In the observation of the first experiences with the new tool it was constated that “while the 2014-20 ESIF Regulations recognise the importance of integrated development strategies, the integration of funding streams is often problematic. The ever-increasing complexity of rules and regulations, differences in administrative structures and procedures as well as conflicting policy goals, makes breaking down these ‘silos’ inherently difficult.” (van der Zwet 2014) These silos are mirrored in sector programme structures.



Extent of integrated funding in OPs (Source: Matko 2016)

The integration of different funding streams, especially ERDF and ESF, remains one of the main challenges in the organisation of the Article 7 instruments. The long-term gap in terms of sector logics, strategic objectives and procedures has still to be bridged, coordination efforts for managing authorities need to be simplified. Only 30% of the OPs foresee both ERDF and ESF funding. This also proves how cautious and hesitating the use of the new ERDF regulation under Article 7 for an integrated urban development has been interpreted by the member states.

Generally, the new arrangements under Article 7 have been built and defined top-down. The intention was to give flexibility and to adapt the arrangements to national and regional frameworks in the Member States. Mainstreaming of the urban dimension in European policy created national and regional authorities with a

new and decisive responsibility in the field of integrated urban and neighbourhood development. Instead, reluctance of delegation to the local level can be constated in most Member States. Additional requirements of responsibilities and new capacity needs for the management and implementation of structural funds at local level are very often the consequence. As Tosics (2017) remarks, "the lack of knowledge is not solely the failure of the city authorities… ITIs are new and there is a lack of detail on how they can be used most effectively in practice. This refers to the overdue and slow development of guidance by the EC." (Tosics 2017, p. 293)

On behalf of the EU Commission, SWEC from Stockholm with the European Policies Research Centre (EPRC) of the University of Strathclyde is currently analysing the implementation of the territorial strategies within sustainable urban development under Article 7 of the ERDF Regulation. CIA 7 partners are contributing and will take into account the outcomes. Research up to now includes preliminary studies and ex-ante scenarios for the current programming period and mostly grey literature. Some common features already emerge.

Differences of geographical/territorial and administrative/institutional frameworks are high and concern among others (see Matko 2016):

- Delimitation and size of functional and urban areas, levels of urbanisation, urban-rural relations, mono or polycentric systems, priorities of urban challenges
- Level of decentralization, administrative organisation, devolved competencies, local fiscal autonomy, socio-economic conditions
- Policy schemes for integrated planning and urban policy traditions, e.g. Politique de la ville (FR), Soziale Stadt (DE)
- Programming constraints, e.g. thematic concentration, OP structure, single or several funds used.

National interpretations of the new tools are covering the whole range possible. In a study on four ITI scenarios main elements of distinction are mentioned: "In practice, existing national arrangements, capacity of local stakeholders and available funding are important determining factors." (European Commission 2015, p. 13)

2. OVERVIEW OF KEY IMPLEMENTATION CHALLENGES AND HOW THEY LINK TO THE POLICY FIELD

The main aim of the URBACT Implementation Networks is to improve the implementation and delivery of cities' integrated strategies or action plans. Challenges related to implementation within Article 7 are in the focus of CIA 7 exchange and learning activities. The following 7 implementation-related challenges have been defined by the URBACT programme, out of which 3 mandatory challenges (to be explored by all Implementation Networks) and 4 optional challenges (every network to select the most relevant for their partners). Additionally, communication can be considered as a transversal tool in all challenges. In this overview these challenges are discussed with policy documents, research and practice examples.

3.1 DELIVERY – Ensuring the integrated approach in the delivery of the strategy and their related actions/projects (mandatory challenge no. 1)

The participatory approach shall improve the implementation process and the delivery of the urban strategy or local action plan (strengthening the evidence base, ensuring ownership of the problems identified and of the solutions/ policies developed, creating the conditions for a successful delivery, etc.). The integrated sustainable approach for urban development has already been practiced since the URBAN I and II programmes (1994-2006). URBACT drew on this experience when designing the URBACT Local Support Group approach to Local Action Plans.

From the experiences of the URBACT network RegGov, local, horizontal and vertical cooperation are crucial elements of integrated delivery (RegGov 2011, p. 16):

- Local cooperation: Relationship between different actors within the neighbourhood and between neighbourhood and city
- Horizontal cooperation: Relationship / networks between cities within a determined area
- Vertical cooperation: Relationship between cities and Managing Authorities

A lasting and efficient "horizontal cooperation" between all relevant actors on the local level and making sure that all relevant key players, associations and organisations contribute to the development and implementation of Integrated Local Action Plans can guarantee that all possible resources are activated and integrated and all possible synergies are realised. A mayor challenge using Article 7 tools is how to achieve improved and more reliable forms of "vertical cooperation" from the neighbourhood across the city level to the level of managing authorities. Vertical integration can provide political and strategic support and supply concrete advice on how to bundle different programmes and funding opportunities.

The challenge when implementing the urban strategy or local action plan is to create an integrated operational framework. The whole strategy has been developed in an integrated way, but how to manage to get integrated projects/actions out of it is another challenge. Urban problems faced in the strategies are complex and can only be solved with a tight project pipeline for the catalogue of actions and measures from social,

economic, cultural and environmental perspectives which need to be interlinked, prioritized and combined with different funding sources (with respect to timing/ calendar foreseen for implementation, with respect to the results expected from the implementation of the strategy/ action plan, etc.).

Concrete solutions and policy instruments will allow cities to effectively address the challenges they have identified in relation to the implementation process. This operational framework will thus be both a driver to the exchange and learning activities and a concrete key output that will lead to an enhanced delivery of their urban strategy or action plan.

Questions of interest for the CIA 7 network

- How do you work together in the project coordination during implementation of the integrated strategy?
- How do you assure the cooperation of the city departments implementing the strategy?
- Different logics and managing authorities for ERDF and ESF projects (not integrated): How do you manage to get integrated projects/actions out of it?
- What kind of governance structure from the local point of view is revealing adapted to develop an integrated approach?
- What is the way and structure to learn to think and work in an integrated way in your city?

3.2 INVOLVEMENT – Maintaining involvement of local stakeholders and organising decision-making for delivery (mandatory challenge no. 2)

The Urban Development Network UDN in 2016 has organised a series of peer review sessions in selected cities on their integrated sustainable urban development strategies. The Pilot Peer Review Report on the case of Rotterdam shows how one of the challenges to face is the communication of overall goals to the local level: "Translate European language into city language. It is the whole delivery chain: all players within the communication strategy down towards the citizens" (UDN Rotterdam 2016). In the Rotterdam case an urban advisory group made of external experts is deciding upon the projects, with an innovative process of approving projects. The continuous participation of people in the neighbourhood in this process is a challenge to be distributed joining forces: How to achieve in cooperation with other stakeholders a more stable and inclusive environment?

In the Reggio Emilia case the definition of participation and engagement was discussed, in the sense of having a clear picture of the type of community involvement envisaged. The capacity and available resources of the municipality maintaining local stakeholder and community engagement in a sustainable way with direct, practical, and concrete ways of communication and consultation leading to different degrees of commitment of stakeholders revealed to be a challenging concern (UDN Reggio Emilia 2016).

The URBACT II network "Joining Forces. Metropolitan governance & competitiveness of European cities" defined issues to be better coordinated at metropolitan level and was led by Lille Metropole, the CIA 7 Lead Partner. One of the partners was also Seville. The project analysed policy themes such as: Strategy and spatial planning; Mobility management and transport; Main environmental issues: water supply, waste disposal, etc.; Knowledge economy (creativity, research and education); Governance (public/public & public/private

arrangements); Social inclusion, participation, empowerment; Attractiveness & Competitiveness (including promotion / marketing). City regions and metropolitan areas, like the forced creation of metropolitan authorities (such as the first French Communautés urbaines), and the creation of a new legal framework for metropolitan cities (such as 14 Cittá metropolitane in Italy which in 2014 substituted the provinces), add another important governance level to the multi-level system. Within the CIA 7 network some partner cities with no tradition in inter-municipal coordination had to establish and delimitate agglomerations or functional urban areas for the ITIs under Article 7 (e.g. the Czech and Polish partners).

The participatory approach with a broad engagement in policy-making and delivery gives more consensus on the strategy, and is needed not only for restricted resources but because of the convincement that no single organisation has the know-how and the capacity to do everything. Consultation and coordination of a variety of actors are a management activity which needs a structural framework. The participatory approach is crucial to be continued for implementation and delivery. Maintaining involvement of local stakeholders during the implementation process is a mayor challenge. There are various stakeholder groups, with more or less capacity to represent their interests who need different tables and formats of involvement. Stakeholders can be grouped as follows (URBACT Summer University Krakow, LAB 1 presentation, 2011):

- Territorial level: Neighbourhood, City, Region/Intermediate level, State, European level
- Sectors and departments: Urban development, Economic affairs, Social affairs/Welfare, Employment and Professional Instruction, Education/Schools, Culture, Sports etc.
- Public sphere: Public administration, politicians, decision-makers, public companies
- Semi-Public: Welfare organisations, (partially, especially public) housing companies
- Private economic actors: Companies and entrepreneurs not locally based, Local business owners, (partially) housing companies, individual property owners
- Civic actors: Civic organisations representing (parts of) the community: youth/children, families, migrants/ethnic groups, handicapped, elder people etc., Associations of inhabitants, Engaged individuals and inhabitants

Engaging all stakeholders in coproduction and gathering them in the URBACT Local Group (ULG) can strengthen the active involvement in transnational exchange activities and in the development of concrete solutions to the implementation challenges identified by the city, in relation to maintaining the integrated and participatory approach during the implementation, funding, selection of projects, etc.

Questions of interest for the CIA 7 network

- Maintaining the involvement of *local stakeholders* and consultation and participative issues in the implementation process, what are the intentions and capacities of active involvement in decision-making? How to integrate the involvement in the decision-making?
- If you want to empower citizens and other stakeholders there is no “one size fits all” way, how do you develop tailor-made formats for different local stakeholder groups (citizens, businesses, third sector)?
- How to integrate these stakeholder groups in the URBACT local group (ULG)? When is the right moment, what are the right tables for involvement in the process? They are a critical success factor

of implementation, but it is a long-term process, how to maintain interest and enthusiasm? How to coordinate conflicting interests? How to access NGOs?

- Organising decision-making within the *public institutions* involved, which resource management forms between city, city region, region, managing authority are needed? According to the different levels: national/regional (e.g. city networks), city (round tables, forum), neighbourhood (management)?
- How to achieve better cooperation with the managing authority for the action plan to be implemented?

3.3 IMPACT – Setting up efficient indicators and monitoring systems to measure performance (mandatory challenge no. 3)

Some cities are experienced in measuring and monitoring the effectiveness of activities and the achievement of objectives. Where city-wide monitoring systems have been developed, they fulfil an important role for the selection of priority areas for intervention and for assessing progress at project and programme level. They sometimes can be considered an "early warning system" of critical socio-economic situations at an early stage.

The Dutch city of Nijmegen has established a municipal department of research and statistics which every two years undertakes a city-wide and neighbourhood monitoring report, together with an annual monitoring of the inner city because of the city centre's economic importance. They also do a special form of qualitative research. In all parts of the city covered by the neighbourhood monitor, a list of professionals and representatives of the local population gets compiled. All persons listed receive a mail in order to inform the Department about the most important local changes. The Monitoring Report is communicated to all departments and to the representatives of the neighbourhoods (RegGov Seminar Report on monitoring progress and achievements in integrated neighbourhood).

Programme and project-related monitoring systems are important, the methodology to measure impact under Article 7 needs yet to be discussed: In some cities there are broad OP specific indicators to be followed, in others ITI tailor-made indicators have been developed. A continuous and detailed feedback system and a clear organisation structure in the municipalities are an important challenge, even for the mid-term evaluation of the ITI strategy. Besides the output indicators, the definition of result indicators which are the variables to measure the intended change is crucial. The increased emphasis on results orientation in cohesion policy also means that cities will need to improve their capacity in measuring results.

There are experiences with regional indicator-based monitoring systems in North Rhine-Westphalia combined with self-assessment of projects at city level within the Socially Integrative City Programme. The URBACT network TOGETHER used participative methods to build indicators of well-being with the citizens themselves. The goal is to enlarge the impact of public and private actions considering these criteria and to develop pilot actions of social inclusion around the idea of co-responsibility of the actors themselves (TOGETHER 2011).

Qualitative results, like behaviour change, image change or awareness, are hard to measure, but this is more and more needed due to the complexity of implementation of integrated strategies. There are methods to create feasible indicators, e.g. building target trees, conducting monitoring visits and creating participative

processes. The OECD Better Life Index has identified 11 topics of material living conditions and quality of life (http://www.oecdbetterlifeindex.org) giving valuable hints for a qualitative dimension of monitoring and assessment.

Questions of interest for the CIA 7 network

- How to frame output and result indicators of an urban strategy or action plan in a meaningful and relevant way?
- What about integration in monitoring and evaluation of actions to be implemented? Where does it take place?
- How to make monitoring the target a core work of the stakeholder group?
- If you need city-wide monitoring, on what base and at which frequency? Which data are available, from national statistical sources broken down to local level or data developed at local and neighbourhood level?
- There are only few ERDF/ESF result indicators at MA level. Reporting of output indicators and impact evaluation with qualitative territorially sensitive indicators, e.g. quality of life, are needed. How to measure change?

3.4 QUALIFYING PROCESS – Moving from strategy to operational action-plan (optional challenge no. 4)

In the UDN peer review on the city of Brno, one of the Czech ITI metropolitan areas, the organisation of the selection system of actions was an important challenge. Recommendations were made about creating transparency at and between all governance levels, early communication with all involved local authorities, early start of the negotiations with the national level, and exchange with other metropolitan cities using ITI (UDN Brno 2016). This exchange is needed also in other national contexts, in the Czech case meanwhile it is being organized by the national managing authority combined with city visits.

What is important and becoming more and more state of the art in European cities is to use the integrated urban development strategy as an opportunity, not only in the function of a specific funding programme but providing a thematic and strategic framework for a cyclical implementation process of all potential projects and actions emerging in the area. This link from the local strategy to an overall integrated framework for a broader area can be an important aspect in order to develop the leverage effect of European funding. The strategy of the European Metropole of Lille and its Managing Authority to use the ITI within Article 7 as the European "branch" of implementation of the national programme "Politique de la ville" concentrating on the parts of the metropolitan area most in need is exercising this kind of integration.

Article 7 requirements, especially concerning the capacity building during the Integrated Territorial Investment organisation in the cities, should be analysed in terms of efficiency of the process from strategy towards operational action plans. An integrated urban strategy that combines actions from different thematic axes and includes other beneficiaries requires more than the implementation of technical works or actions derived by the city alone. It is a challenge how to create processes of controlling, objectively evaluating and managing different types of projects, actions and works beyond the communal procedures.

The organisation of calls for projects in some cases according to Article 7 is delegated to the cities as intermediate bodies, but often the procedure of selection with a given time line is quite ambitious. Questions concerning the roles of cities and managing authorities arise with a need to improve the process in order to maintain the quality of the integrative and participatory approach at operative level.

Questions of interest for the CIA 7 network

- Eligibility guidelines and rules are complicated, how to make a detailed implementation plan fit into them?
- Cohesion policy is the main funding opportunity for some cities, but often connected to many other (national, regional) programmes with different rules. How to coordinate this mix of programme logics including different time frames, risks and delays at operative level?
- ERDF funded activities receive support from the Managing Authority, which is often a question of policy visibility for the integrated strategy. But concrete actions have to be adapted at local level. How to improve this step?
- In the MA calls for projects, the group of potential beneficiaries is limited, but for the selection of actions the time line at local level is often narrow. How to work on this challenge?

3.5 PPP – Setting up Public Private Partnerships for delivery (optional challenge no. 5)

Private actors and civil society, like (citizen) foundations, local business associations, welfare organisations, (municipal) housing and real estate economy are key stakeholders, as mentioned in chapter 3.2. When implementing an integrated strategy the support of all relevant groups is necessary. Framework conditions for successful local development are complex, making it even more urgent that all players communicate effectively with each other. The dialogue between new and/or established partners in the area is an important success factor.

This should be distinguished from classic Public-Private Partnership schemes as a contractual cooperation form between public domain and private enterprises. The RegGov report on public-private partnership in integrated urban policy quotes a definition of the Danish Enterprise and Construction Authority stressing the shared risks and the long-term perspective: “Public-Private Partnership is a method to handle public tasks that require long-term investment. The idea is to invite bids for design, financing, construction, operation, maintenance and services as one project up to 30 years. The private and public partners share the risks related to the project, which means that every risk is handled by the party that can do it in the best and least expensive manner.” (RegGov 2009, p. 12)

Motivations of Public Private Partnership can been reassumed as follows (Ramsden 2016):

- Source of potential investment in the face of limited public budgets
- Move infrastructure funding off the public balance sheet
- Finance and deliver infrastructure better / deliver Value for Money

- Realize more value from public assets (value creation and capture) – More efficiency / effectiveness in services (poor public performance record)
- Lack of alternatives (human and financial capacity) to deliver infrastructure by public sector

In a recent study on PPP and good practice in Italy eight cases on different activity fields have been described, parking areas, photovoltaic facilities, public illumination, kindergarten, cemetery services, tourist ports, sport facilities, social housing (EPAS 2015). In the same study one of the main challenges of PPP is highlighted. Public administration is not always prepared for financial issues or contractual negotiation concerning big infrastructure projects, competence and capacity building needs are high. The recommendation for city administrations is to experience even smaller PPP projects which might have a positive impact on the local territory with an effect in terms of capacity building (EPAS 2015, p. 19).

3.6 PROCUREMENT – Designing smart public procurement frameworks (optional challenge no. 6)

Procurement is used by public purchasers at local level (e.g. city councils, universities, hospitals) to commission goods and services from private and social sector organisations. Neves (2009) highlights the opportunities of the European level moving to an innovative public procurement approach. The EU public procurement strategy adopted on April, 18 2016 includes new opportunities for integrated urban development. Social and environmental goals (social procurement, green procurement) and public procurement of innovation are encouraged (Rok 2016).

Procurement is an important part of the implementation and delivery process. “With public expenditure on goods, works, and services representing approximately 14% of EU GDP with an annual value of nearly €2 trillion, public procurement is critical to the European economic recovery. Transparent, fair, and competitive public procurement across the Single Market creates business opportunities for European enterprises and contributes to economic growth and job creation.” http://ec.europa.eu/growth/single-market/public-procurement/strategy_en

The URBACT network PROCURE - Creating a good local economy through procurement, in the state of the art document (March 2016) stresses the importance of working on smart procurement strategies of cities. The purpose of the Procure network is to support cities to enhance procurement processes so that they bring greater benefits for their city economy and in social and environmental terms. Lublin, one of the CIA 7 partners, is also participating in this network and can link to the contents where useful and necessary.

In the procurement process, PROCURE identifies ways of maximising benefit for city economies in socio-economic and environmental terms across Europe:

- Developing procurement strategies with a common narrative
- Developing accessible portals
- Packaging contracts to make them more accessible.
- Streamlining procurement documentation
- Using social and environmental criteria (PROCURE 2016, p. 16-17)

3.7 FINANCIAL INNOVATION - Enhancing funding of urban policies by exploring financial innovation (optional challenge no. 7)

The use of innovative financial instruments can give new opportunities and impulses to urban development strategies. This issue always concerns questions of transparency and accountability. There is a variety of financial tools which are being tested and need to be further explored. With the complexity to be tackled under Article 7 and the timing of the performance from strategy to implementation challenges and benefits of new financial instruments and arrangements need to be carefully analysed. Is it targeted for the local needs? In terms of risk assessment, how are benefits and losses distributed?

Some of the CIA 7 partners have made experiences and exchanges on innovative financial tools in different contexts. The European Metropole of Lille and the City of Seville participated in the CSI Europe network. Their conclusions include the fact that financial instruments are less flexible than grant in terms of the types of project they can support due to their requirement for repayment. Projects must be able to deliver value which will ultimately enable the project promoter to repay the investment (CSI Europe 2015).

The first continental European Social Impact Bond, for social programmes run by an agency and financed by investors, was applied in Augsburg, Germany in 2013. An agreement was made with the public sector stipulating payment of a premium if predefined, empirically measurable objectives are achieved (pay for success). Implementation was made possible through the support of non-profit financiers, whose upfront funding plus a small amount of interest would only be repaid if the project was a success. The pilot project focused on disadvantaged, unemployed adolescents, a defined number of them had to be placed in apprenticeships or gainful employment. In this case, the recirculation of funds increased the possibilities for social engagement (Juvat 2016).

Micro financing, micro credits and peer-to-peer lending have been tackled at neighbourhood level in the RegGov Case study of Duisburg on micro-credits (RegGov 2011, p. 55-62). In this case a financial instrument has been used to connect issues of local economy and unemployment with spatial problems in deprived neighbourhoods. Establishing a microfinance system at neighbourhood level requires partners at different levels, and it needs to be stimulated by public subsidies. From these experiences it can only be seen as an additional instrument to strengthen local economy.

Crowd funding or crowd sourcing are new ways to activate and encourage shared funding from the citizens. Even if the use in urban development projects is still experimental, the Rotterdam Luchtsingel bridge case shows a very special idea and project design which has led to a success. http://inhabitat.com/rotterdams-wooden-luchtsingel-footbridge-is-a-fantastic-piece-of-crowdfunding-architecture/

These kinds of innovative funding tools are examples of the potential lying in them for integrated urban development strategies. Still they are often in an experimental or pilot phase, and in need of strong ideas and a local participation culture. These new financial tools in most of the CIA 7 partner cities are an additional option which rises regulation and coordination issues and time frames to the complexity which most of the Article 7 arrangements are dealing with.

LEARNING BY DOING – CITIES IN ARTICLE 7

The urban dimension of cohesion policy in the programming period 2014-2020 has been stressed by new instruments in the Operational Programmes for sustainable development in cities. The emphasis on territorial approaches has been reinforced compared to the period 2007-2013. Cities are given more attention within the ERDF regulation, functional and (sub-) regional areas with specific challenges and topics are taken more into account.

It is demanding for cities to take over "learning by doing" new administrative responsibilities and the lead for participative processes within innovative arrangements and often newly established functional areas, like required within Article 7. What remains to be explored is if and how cities can make best use of the new and ambitious tools at their disposal when at the same time they have to adopt new selection procedures and fulfil additional administrative responsibilities. The flexibility of regulations intended at European level opened space for national guidance. This did not always lead to simplified and tailor-made solutions for the involved urban areas but to an extension of requirements to what is already perceived to be a rather complex mechanism.

The empowerment of urban areas giving them more responsibility in the implementation of the OP (e.g. as intermediate bodies) is a big opportunity but also a big challenge to cities. In fact, the development of urban integrated strategies requires many competences such as knowledge on European funds and their management but at the same time on the cross-sector strategy's themes.

To summarise it briefly, the Implementation Network CIA 7 shares integrated practices from planning to implementation and funding under Article 7 of ERDF regulation which gives cities the capacity to develop livable urban areas through integrated strategies: This is a very challenging quality shift and management innovation, but at the same time a huge opportunity strengthening and empowering cities.

Additionally, Partner Profiles of the CIA 7 partner cities together with a Synthesis have been produced in a separate document. Part 2 of the Baseline Study "Implementing integrated strategies: The CIA 7 Partners" is aimed at an internal audience.

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