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(Article begins on next page)

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HANDBOOK OF

TERRITORIAL AND LOCAL DEVELOPMENT STRATEGIES

Joint Research Centre

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HANDBOOK OF

TERRITORIAL AND LOCAL DEVELOPMENT STRATEGIES

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Abstract

All places are important to the future wellbeing of Europe. The European Union (EU) is committed to ensuring that the development potential of places is uncovered and valorised. Integrated territorial and local development strategies promoted by EU cohesion policy are relevant tools to sustain this process.

The 'Handbook of Territorial and Local Development Strategies' provides valuable knowledge on how to design and implement integrated strategies in areas other than urban areas. It aims to serve managing authorities of operational programmes, local strategy owners as well as other stakeholders involved in the process.

The Handbook is a joint initiative by the European Commission's Directorates-General for Regional and Urban Policy (DG REGIO) and the Joint Research Centre (JRC), and it benefits from the active contribution of policy-makers, practitioners and scholars.

Foreword

We are living in times of fast and radical changes, with new opportunities but also emerging risks in front of us. This calls for proper policy action: the way change is managed will determine whether all regions and citizens, wherever they live, will be able to benefit from these opportunities while avoiding that new economic, social and territorial disparities appear. This ambitious objective cannot be reached without an integrated approach to territorial development as highlighted by the Territorial Agenda 2030.

Integrated territorial development is key for strengthening resilience and triggering prosperity in all regions. It helps coordinate regional and local development and nurture local democracy through inclusive participation. Integrated territorial development is relevant to all EU territories, and it can be of fundamental importance for opening up new development pathways towards a smarter, knowledge-based, greener economy, creating quality employment and social progress in areas other than urban areas.

The European Union has put special emphasis on integrated territorial development by means of cohesion policy. Cohesion policy aims to ensure that local development needs and potentials are connected with European and global objectives, and that public investment decisions are taken as close as possible to the citizens. Moreover, cohesion policy is not only providing necessary financial resources to undertake investments, but it also offers tools and methods to promote an integrated approach and more effective governance based on partnerships at the local level and across different levels of government.

'Europe closer to citizens' is a new dedicated and flexible policy objective in the 2021-2027 framework of cohesion policy. It aims at addressing the challenges of different types of territories by means of integrated territorial and local development strategies.

Developing territorial and local development strategies able to ensure societal relevance and a clear future perspective is not an easy task. To support territories in this purpose, the European Commission's Directorates-General for Regional and Urban Policy (DG REGIO) and Joint Research Centre (JRC) present the 'Handbook of Territorial and Local Development Strategies'. Complementary to the 'Handbook of Sustainable Urban Development Strategies', this new Handbook offers insight on how to implement an integrated approach considering different territorial needs and potentials, promoting cross-sectoral policy, multi-level and multi-stakeholder governance and multi-territorial and community-led processes.

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Executive summary

Policy context

Territorial cohesion is at the heart of one of the EU's longest-standing policies – the EU cohesion policy. The territorial dimension of the EU cohesion policy was strengthened in the 2021–2027 programming period with the introduction of the dedicated Policy Objective 5 (PO5) 'Europe closer to citizens', which aims to foster the sustainable and integrated development of all types of territories and local initiatives.

In line with this objective, the 'Handbook of Territorial and Local Development Strategies' offers methodological support for managing authorities of operational programmes, local authorities and any other organisation involved in the design, implementation and monitoring of development strategies in areas other than urban areas.

This Handbook is designed as a policy-learning tool for policy-makers, helping them become aware of the different options they have. It offers inspiration and food for thought on how to tackle the most relevant or recurring policy challenges that territorial development actors may encounter during the process of strategy making by providing them with a number of practical tips, concrete examples and recommendations, as well as references to existing literature, guidance and tools.

Key conclusions

European territories that extend beyond the urban category are highly diverse. They include rural areas, mountainous areas, islands and coastal areas, remote and sparsely populated areas and many other types of territories where a mix of urban and rural features coexist.

Several development challenges are more frequently found in non-urban areas than in urban areas. Among these are population decline and ageing, weak local economy and fewer job opportunities, lack of access to essential services, environmental degradation and lower connectivity. Despite the above-mentioned issues, these territories undoubtedly represent places of opportunity, for example in the fields of bioeconomy, ecosystem services, biodiversity and well-being.

Place-based territorial strategies can help address these areas' needs and fully valorise their potential. For this reason, for the 2021–2027 period, the EU cohesion policy provides a framework for designing and implementing territorial and local strategies based on an integrated approach that emphasises cross-sectoral policy, multi-level and multi-stakeholder governance and promotes multi-territorial and community-led processes.

The Handbook operationalises this approach by breaking it down into six building blocks.

1. **Strategic Dimension.** A strategic approach entails a transformative and integrative socio-spatial process that facilitates the development of a vision of the future of a place, coherent actions and means for implementation.
2. **Territorial Focus.** A key aspect for policy-makers responsible for territorial and local development strategies is the identification of a consistent territory for policy action. This includes defining the spatial scale and the specific area that are suitable for achieving strategy objectives.
3. **Governance.** The effective governance of territorial development strategies in non-urban areas requires the capacity to coordinate within and across different levels of government, public administrations and agencies, as well as to engage the private sector, other public entities, NGOs and citizen groups in the concerned territory.

4. **Cross-Sectoral Integration.** Integration across different policy areas is essential for territorial development strategies implemented within EU cohesion policy. The diversity of territories calls for locally designed responses and the appropriate mix of policies that respond to the specific needs and potentials of each area.
5. **Funding and Finance.** Supporting a territorial integrated strategy requires knowledge on funding instruments and involves setting up selection processes and monitoring progress in line with funding rules.
6. **Monitoring.** The effective monitoring of territorial and local development strategies is crucial for their success. Monitoring allows policymakers to track progress and inform necessary revisions. Moreover, a robust monitoring system supports transparency, accountability and the visibility of EU support 'on the ground'.

Related research by the Joint Research Centre

In 2020, the Joint Research Centre of the European Commission (JRC) published the 'Handbook of Sustainable Urban Development Strategies' to help national, regional and local authorities across the EU to deliver integrated urban strategies in the context of EU cohesion policy.

Building on that experience and acknowledging the necessity to look at all types of European territories, this 'Handbook of Territorial and Local Development Strategies' addresses territorial development beyond cities and metropolitan areas.

The two Handbooks are complementary and cover the spectrum of development strategies in all types of territories.

Introduction

All places are important to the future wellbeing of Europe. The European Union (EU) is committed to ensuring that the development potential of places in Europe is uncovered and valorised. Integrated territorial and local development strategies promoted by EU cohesion policy are relevant tools to sustain this process.

In 2020, the Joint Research Centre of the European Commission (JRC) published the 'Handbook of Sustainable Urban Development Strategies[1]' to help national, regional and local authorities to deliver integrated urban strategies in the context of EU cohesion policy (Fioretti et al., 2020). Building on that experience and acknowledging the necessity to look at all type of European territories, this **'Handbook of Territorial and Local Development Strategies'** addresses territorial development beyond cities, functional urban areas and metropolitan areas, i.e. when the main focus of action is in **areas other than urban areas**[2].

The two Handbooks are complementary and cover the spectrum of development strategies in all types of territories.

Policy context

The Handbook's approach to integrated and sustainable territorial development is embedded in the EU-wide objective of territorial cohesion.

The **Treaty on the Functioning of the European Union (TFEU)**[3] states that the EU shall promote the overall harmonious development of its Member States and regions. Actions must support the less favoured regions harnessing their development potential. Particular attention needs to be paid to rural areas, areas affected by industrial transition, and regions that suffer from severe and permanent natural or demographic handicaps – such as the northernmost regions with a very low population density and island, cross-border and mountain regions.

The **Territorial Agenda 2030 (TA2030)**[4] provides a political vision and ambition for the territorial cohesion objective. Under the heading 'a future for all places' the Territorial Agenda advocates place-based policy responses to territorial challenges, the involvement of subnational authorities and citizens, and a stronger uptake of EU territorial instruments and other territorial tools for integrated territorial development.

1 *https://urban.jrc.ec.europa.eu/urbanstrategies*

2 From now onwards the Handbook will use the expressions 'areas other than urban areas' and 'non-urban areas' interchangeably. The expression 'areas other than urban areas' is used in Regulation (EU) 2021/1058, Article 3 when referring to 'fostering the integrated and inclusive social, economic and environmental local development, culture, natural heritage, sustainable tourism and security in areas other than urban areas'.

3 *https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012E%2FTXT*

4 *https://territorialagenda.eu*

TERRITORIAL AGENDA 2030: A FUTURE FOR ALL PLACES

The Territorial Agenda 2030 (TA2030) has been agreed upon by the Ministers responsible for Spatial Planning and/or Territorial Development in 2020. It provides an action-oriented framework to promote territorial cohesion in Europe. It starts from the observation that growing inequalities between places and between people, as well as unsustainable developments, have reached a critical level.

To address this, the Territorial Agenda highlights the importance of strategic spatial planning and calls for strengthening the territorial dimension of sector policies at all governance levels.

The Territorial Agenda underlines that development needs and impacts of future developments differ between places in Europe. It also emphasises that cooperation and coordination between places, levels of governments, policy sectors and societal groups is fundamental for addressing complex issues and harnessing diverse potential.

The Territorial Agenda defines two overarching objectives, a Just Europe and a Green Europe, which have six priorities for developing the European territory as a whole, along with all its places. All these priorities describe the main policies that impact places and put forward principles for a better cross-sectoral approach.

For more information

EU Ministers responsible for spatial planning, territorial development and/or territorial cohesion, *Territorial Agenda 2030: A future for all places,* Ministerial meeting of the EU under the German presidency of the Federal Ministry of the Interior, Building and Community, Berlin, 2020. Available at: *https://territorialagenda.eu/wp-content/uploads/TA2030_jun2021_en.pdf*

Territorial cohesion is at the heart of one of the EU's longest-standing policies – the EU cohesion policy. Its territorial dimension has been strengthened in the 2021–2027 programming period with the **introduction of a dedicated objective: Policy Objective 5 (PO5) 'Europe closer to citizens',** through the fostering of sustainable and integrated development of all types of territories and local initiatives.[5] PO5 has two specific objectives. The first objective addresses sustainable and integrated development in urban and functional urban areas. The second refers to strategies that focus on sustainable and integrated development of non-urban areas, taking also into account rural-urban linkages.

Within the EU strategic and policy framework, there are other initiatives that call for and support development processes in non-urban areas.

The **long-term vision for the EU's rural areas (LTVRA)**[6] published by the European Commission in 2021 provides a framework for rural development. The vision identifies several areas of action towards stronger, connected, resilient and prosperous rural areas by 2040. The accompanying **EU Rural Action Plan** will pave the way to fostering territorial cohesion and create new opportunities to attract innovative businesses, provide access to quality jobs, promote new and improved skills, ensure better infrastructure and services, and leverage the role of sustainable agriculture as well as diversified economic activities.

5 The cohesion policy has set five policy objectives (POs) supporting growth for the period 2021-2027:
1. a more competitive and smarter Europe; 2. a greener, low-carbon transitioning towards a net zero carbon economy; 3. a more connected Europe by enhancing mobility; 4. a more social and inclusive Europe;
5. Europe closer to citizens by fostering the sustainable and integrated development of all types of territories.
See: *https://ec.europa.eu/regional_policy/en/policy/how/priorities*.

6 *https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/long-term-vision-rural-areas_en*

The **European Green Deal**[7], **Farm to Fork Strategy**[8], **EU Biodiversity Strategy for 2030**[9] and **REPowerEU** are all relevant to territorial and local development strategies addressing, for example, sustainable food production, the provision of ecosystem services to mitigate climate change and environmental degradation, the production and use of renewable energy or investments in research and innovation towards more resilient economies.

In parallel, the roll-out of digital infrastructure and services in non-urban areas will be indispensable to make **Europe's Digital Decade**[10] a reality, while providing more opportunities for the sustainable development of rural areas beyond agriculture, farming and forestry. These can contribute to the growth of manufacturing and service activities outside urban areas.

Understanding areas other than urban areas

The category of areas other than urban areas as interpreted by the EU cohesion policy regulations is quite broad.[11] **Non-urban areas are highly diverse.** They cover rural areas, mountainous areas, islands and coastal areas, remote and sparsely populated areas and many other types of territories where a mix of urban and rural features coexist (e.g. river basins, natural parks, low-density clusters, etc.).

The diversity of these territories is reflected in the differences of their development needs and potential, depending for example on their territorial context, socioeconomic and ecological characteristics and geographical specificities. Areas in close proximity to a city have different development challenges and potentials than areas far away from an urban centre. Likewise, areas along the coastal shores of Europe have different challenges and potentials than areas in the mountain ranges, and so on.

The EU cohesion policy pays specific attention to disadvantaged regions and areas – in particular, rural areas and areas that suffer from severe and permanent natural and demographic vulnerabilities.[12] Several development challenges can be more frequently found in non-urban areas than in urban areas. Among these are: population decline and ageing, a weak local economy and fewer job opportunities, lack of access to essential services, environmental degradation and lower connectivity. In many non-urban EU areas these challenges form the basis of a vicious cycle that reinforces environmental, economic and social decline (EC, 2021). This is coupled with a growing discontent among the people living in these areas, who feel that their needs are neglected in political decisions (Rodríguez-Pose, 2018).

Despite these issues, **non-urban areas are undoubtedly places of opportunity.** Many non-urban areas have considerable potential – and comparative advantages over urban areas – for example in the fields of bioeconomy, ecosystem services, biodiversity and well-being. New societal demands, the opportunities of the green economy and the digital transformation, together with the consequences of the COVID-19 pandemic and the expansion of teleworking have brought renewed attention to non-urban areas as places of well-being, security, eco-living and new possibilities for social and economic renewal.

Place-specific territorial strategies can help to address these areas' needs and utilise their potential.

7 *https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en*

8 *https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en*

9 *https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en*

10 *https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_en*

11 Regulation (EU) 2021/1060, Annex 1, Table 3.

12 Regulation (EU) 2021/1058, Article 10.

Territorial strategies promoted by the EU cohesion policy

As previously highlighted, the **EU cohesion policy plays a key role in promoting integrated territorial development throughout Europe.** PO5 is specifically aimed at providing resources from the European Regional Development Fund (ERDF) for integrated territorial and local development strategies targeting any type of territory.

Integrated territorial and local development strategies should be implemented through territorial tools (also known as territorial delivery mechanisms).[13] In the 2021–2027 period, there are three options:

- Integrated Territorial Investment (ITI);
- Community-Led Local Development (CLLD);
- Other territorial tools designed by a Member State.

TERRITORIAL TOOLS OF THE EU COHESION POLICY

ITI (Integrated Territorial Investment) supports the implementation of multi-thematic integrated strategies. It can draw funding from multiple priority axes of one or more programmes and funds. In doing so, it can be used to ensure the most appropriate policy mix. It may cover a region, a functional area, an urban or a rural municipality, a neighbourhood or any other sub-national territory. What is essential here is that the development of the strategy underpinned through ITI involves relevant territorial authorities and bodies, who are to be involved in the selection of the operations to be funded and in the implementation of the strategy.

CLLD (Community-Led Local Development) aims at mobilising potential at a local level. It is not only a territorial tool, but also a method to implement local strategies based on a bottom-up participatory and area-based approach. Local Action Groups (LAGs), representing the interests of the community, play an important role in CLLD. In this sense, it can be used especially to support and foster social innovation and cooperation among stakeholders.

Other territorial tools designed by a Member State open up the possibility of using existing or specially designed territorial tools that are based on territorial or local development strategies. These include several possibilities, such as a dedicated priority axis or a dedicated operational programme. The main novelty of this programming period is that PO5 allows having a multi-thematic priority axis as a territorial tool providing wide thematic flexibility. Moreover, it is possible to use nationally developed territorial tools under any PO.

The tools come with different regulatory requirements and also governance arrangements (see Chapter 3, Governance).

The EU cohesion policy sets out some minimum requirements for territorial strategies.[14] The first one is that interventions shall be based on a strategy, which targets a specific geographical area, responds to its development needs and potentials in an integrated way and involves relevant stakeholders. The strategy should hence follow **a place-based, integrated and multi-stakeholder approach.** The second minimum requirement

13 Regulation (EU) 1060/2021, Article 28.

14 Regulation (EU) 1060/2021, Articles 29, 32 and 33.

concerns the fact that **relevant territorial authorities should be responsible for the strategies,** and select the projects, or at least be involved in the selection process. CLLD has more restrictive requirements concerning the components of the strategy and the governance system, in order to ensure a bottom-up approach.

While Sustainable Urban Development (SUD)[15] is compulsory, involving a minimum financial earmarking concerning each Member State, **integrated development in non-urban areas through territorial and local development strategies is a voluntary measure.**

A SNAPSHOT FROM THE 2014–2020 PROGRAMMING PERIOD

JRC has elaborated a unique data bank on territorial development strategies supported by EU cohesion policy in the programming period 2014–2020 and made it publicly available through the interactive webtool STRAT-Board.[16]

STRAT-Board contains almost 900 territorial and local development strategies that were developed in the 2014-2020 programming period in addition to SUD strategies. Their experience provides valuable lessons for the development of territorial and local development strategies. This Handbook provides text boxes with data and practice examples allowing for learning from past experiences.

Two distinct territorial tools were used to support non-urban strategies: Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD). As many as 18 Member States decided to make use of these voluntary territorial tools, leading to a wide range of strategies. Among them, there are local development strategies in rural areas (e.g. strategies supported by the Italian National Strategy for Inner Areas, using a national implementation mechanism in combination with either ITI or CLLD); regional/sub-regional strategies for economic transformation (e.g. ITI Limburg strategy in Belgium); cross-border strategies in mountain areas (e.g. Italy/Austria cross-border CLLD strategies); regional/inter-regional strategies based on a thematic asset (e.g. Egnatia cultural road ITI strategy in Greece) or geographical features (e.g. ITI Danube Delta strategy in Romania); and strategies targeting disadvantaged areas across a region (e.g. ITI Castilla-La Mancha in Spain).

More specifically, territorial and local development strategies of the 2014–2020 programming period have high variability regarding their territorial focus, themes addressed, combination of funds and financial allocation.

JRC analyses show that strategies most frequently target mixed urban-rural areas. These include a wide range of spatial arrangements that go from urbanised regions to aggregations of municipalities around medium-size cities, to more rural territories in proximity of a main town or in more remote regions. Moreover, functional territories – expanding beyond a single municipality – represent the territorial focus of 61% of strategies.

Most non-SUD strategies focus on ‘social inclusion’ and ‘jobs and skills’. Another important topic addressed in these strategies is the green transition: almost 40 % of strategies address issues such as air quality, circular economy, climate adaptation, energy, low carbon economy and nature-based solutions.

15 Regulation (EU) 1058/2021, Article 11, and Regulation (EU) 1301/2013, Article 7.

16 More information on STRAT-Board and its methodology can be found here: *https://urban.jrc.ec.europa.eu/strat-board*. Strategies supported only by the European Agriculture Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) are not included in the STRAT-Board database.

Almost half of CLLD strategies were supported by two funds and 43% by three funds. For ITI strategies there appears to be a tendency to either be mono-fund and only combine different thematic objectives or, on the contrary, combine three or four different funds. However, there is strong national diversity in the integration of funds. Differences in financial allocations per strategy are even greater. While 83 % of CLLD strategies have a budget of less than EUR 5 million, the European Structural and Investment Funds (ESIF) contribution to an average ITI strategy can be estimated in the order of EUR 44.8 million.

The aim of the Handbook

The 'Handbook of Territorial and Local Development Strategies' offers methodological support for operational programmes' managing authorities, local authorities and any other organisation (e.g. CLLD local action groups) involved in the design, implementation and monitoring of development strategies in the context of the EU cohesion policy.

Rather than providing a step-by-step guide to elaborating territorial strategies according to EU regulations and related technical requirements, **this Handbook is designed as a policy-learning tool for policy-makers,** helping them become aware of the different options they have.

It offers inspiration and food for thought on how to tackle the most relevant or recurring policy challenges that territorial development actors may encounter during the process of strategy making, by providing them with a number of practical tips, concrete examples and recommendations, as well as references to existing literature, guidance and tools.

The structure of the Handbook

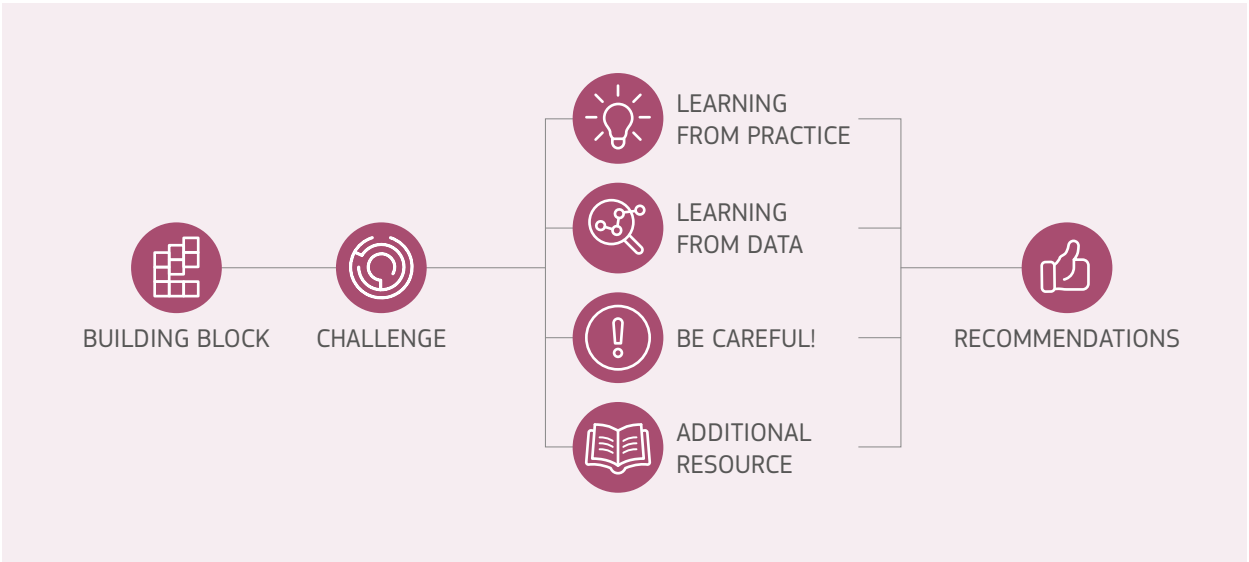
The Handbook is divided into six chapters, each of which addresses one of the building blocks of an EU integrated and sustainable approach to territorial development, as follows:

1. **Strategic Dimension.** A strategic approach entails a transformative and integrative socio-spatial process supporting the development of a vision of the future of a place, coherent actions and means for implementation. This chapter explores how to enhance strategic capacity; promote stronger strategic orientation by applying innovative policy-making methods; foster coordination between territorial strategies; and link territorial strategies with EU and global policy agendas.
2. **Territorial Focus.** A key task for policy-makers responsible for territorial and local development strategies is to identify a consistent territory for policy action. This includes defining the spatial scale and the specific area that are suitable to achieve strategy objectives. This chapter focuses on three main topics: the selection of a suitable functional area for a strategy; the strengthening of linkages between rural and urban areas; and the implementation of strategies across national borders.
3. **Governance.** The effective governance of EU integrated territorial development strategies in non-urban areas requires the capacity to coordinate within and across different levels of government, public administrations and agencies, as well as the capacity to engage with the private sector, other public entities, NGOs and citizen groups in the concerned territory. This chapter focuses on four key components: governance structures and processes; multi-level coordination; administrative capacity; and stakeholder and citizen engagement.

4. **Cross-Sectoral Integration.** Integration across different policy areas is essential for territorial development strategies implemented within the EU cohesion policy. The diversity of territories calls for locally designed responses and the appropriate policy-mix corresponding to the specific needs and possibilities of each area. This chapter addresses: the opportunities for cross-sectoral integration provided by the EU cohesion policy; key elements for the design and implementation of effective cross-sectoral territorial strategies; and the cross-sectoral integration at project level.
5. **Funding and Finance.** Supporting a territorial integrated strategy requires knowledge on funding instruments paired with the capacity and skills to set up selection processes and monitor progress in line with funding rules. In case multiple funding sources and programmes are used, the complexity increases. This chapter focuses on how to strike the right balance between the ambition of the strategy and the capacity of the local actors to manage and access EU funds; the combination of different funds, reducing the administrative burden; and the use of additional funding sources other than grants.
6. **Monitoring.** The effective monitoring of territorial and local development strategies is crucial for their succes. Monitoring provides important data and knowledge to track progress and inform necessary revisions. Moreover, a robust monitoring system supports transparency, accountability and the visibility of EU support 'on the ground'. This chapter explores the design and implementation of an effective monitoring system; data collection and analysis; the use of monitoring findings in the policy cycle; and stakeholder and citizen engagement in monitoring activities.

Each chapter follows the same outline. First, there is an introduction to the theme of the chapter, including (among others) links to the EU cohesion policy framework. Thereafter, the chapter is divided into main policy challenges. The challenges have been identified as the most important and recurrent ones that policy-makers face in the process of designing and implementing strategies. Various responses and approaches to these challenges are given in the chapter, supported by concrete examples. These examples refer both to territorial and local development strategies developed by using territorial tools in the 2014–2020 programming period as well as policy experiences elaborated outside the EU cohesion policy – but following the same approach to integrated territorial development. A number of cases are illustrated in dedicated boxes while shorter descriptions are used as exemplifications in the main text. Moreover, existing guidelines, studies and online toolboxes are presented. Finally, a series of operative recommendations are listed at the end of each chapter.

FIGURE 1. Outline of each chapter.



The six building blocks can be read autonomously but they also provide cross-references in order to show the links that should be taken into account when addressing integrated territorial development.

These six building blocks mirror the structure of the 'Handbook of Sustainable Urban Development Strategies', making it easier for the reader to integrate the different learning resources made available. In fact, considering that the distinction between urban and non-urban is rather blurred and depends on national classifications in the different EU Member States, the two handbooks can also be consulted in a joint manner.

Methodological note

The Handbook is the result of a collaborative process and benefits from the contribution of several experts who together with JRC staff collaborated on the drafting of this manuscript and its review. The publication also includes the insights and experiences of policymakers (regional and national managing authorities, local authorities, local action groups' managers, development agencies, etc.), which were gathered through interviews and online meetings.

Finally, the Handbook's structure and content has benefitted from the generous input and suggestions of a board of experts of more than forty contributors, composed of EC staff, practitioners, researchers and independent experts. Besides providing individual feedback on the Handbook's various drafts, the board of experts participated in two online workshops. The first workshop was organised in its inception phase (October 2021) and the second workshop took place in the final phase, in July 2022. Six focus groups, each of them dedicated to one of the chapters, provided the opportunity to collectively discuss the Handbook and further enrich it.

Quantitative analysis of territorial and local strategies in the 2014–2020 programming period is based on STRAT-Board, the JRC database that collects information on all territorial strategies funded under the EU cohesion policy of 2014–2020. ITI and CLLD strategies outside the SUD measure have been used as a proxy to identify strategies addressing other than urban areas. Furthermore, information on the location of the strategies, deriving from STRAT-Board, has been cross-analysed with the degree of urbanisation (DEGURBA) provided by Eurostat in order to develop more accurate spatial analysis and better understand the type of territories targeted.

Qualitative information on policy experiences has been collected through both first and second-hand sources, including grey literature.

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Chapter 1

STRATEGIC DIMENSION

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Developing territorial and local development strategies able to ensure societal relevance and a clear future perspective is not an easy task. Experience has proven that integrated territorial strategies provide a good starting point. In the case of the European Union (EU) cohesion policy, they are required when investments are made in the form of territorial tools as per Articles 28 and 29 of the Common Provision Regulation (CPR)[17]. Nevertheless, they are also important for wise investments in territorial development outside the context of the EU cohesion policy.

Overall, **strategies can help deliver a coordinated response to often complex, interlinked and cross-sectoral regional and local challenges, development needs and potentials,** addressing the economic, social and environmental dimension of sustainable and resilient development. This is mirrored in the Territorial Agenda 2030 (TA2030)[18], which underlines the importance of strategic spatial planning for achieving territorial cohesion.

A strategic approach entails a 'transformative and integrative, (preferably) public sector-led socio-spatial process through which a vision, coherent actions and means for implementation are produced that shape and frame what a place is and might become' (Albrechts, 2006, pp. 1491). Hence, it tackles **societally relevant** objectives in a **time-bound frame,** based on a social pact and actions that pool actors' efforts and resources. **The strategy-making process should therefore provide a learning environment within a place, and the testing-ground for developing and verifying possible ideas.** A strategic approach should also look for **commitment to its delivery** from the very beginning.

A reinforced approach to strategic thinking pushes for **a more comprehensive understanding of development.** The ambition is to respond to emerging demands for well-being and quality of life, topics that have increasingly come to the fore especially since the COVID-19 pandemic. This ambition is well illustrated in the Italian National Strategy for Inner Areas (SNAI), where it is clearly stated that 'it is people's quality of life that sits at the heart of the plan' (Barca, Casavola and Lucatelli, 2014), with the twofold objective of improving communities' well-being and social inclusion, and increasing job opportunities and territorial capital uptake. In the same spirit, the new Slovenian National Spatial Development Strategy tackles quality of life as a concrete territorial development goal in both cities and rural areas (ESPON, 2021a).

17 Regulation (EU) 2021/1060.

18 *https://territorialagenda.eu*

Going a step forward, there is **a need to focus on the reinterpretation of development opportunities,** as well as associated constraints, in the context of contemporary society towards a smarter, knowledge-based, greener economy, creating quality employment and social progress. The long-term vision for the EU's rural areas (EC, 2021) highlights this crucial step, as it can be of fundamental importance for reversing ongoing trends and contributing to opening up **new pathways for non-urban territories.**

Summing up, the main characteristics of a strategic dimension include thinking beyond the silos of individual sectors, players and governance levels; a transformative character opening-up new pathways; societal relevance; a focus on existing and emerging demands, challenges and potential; a clear future perspective; flexibility in adjusting to changing circumstances; and a reflective learning dimension.

All this amounts to a fundamental shift in relation to the traditional approach to policy-making. It requires major efforts to avoid policy path-dependency and to pragmatically link to global trends that have emerged in the international debate and the activities of supranational organisations. The Sustainable Development Goals (SDGs) of the United Nations (UN), the Territorial Agenda 2030, the EU Green Deal, the new orientations for the worldwide rural agenda by the Organisation for Economic Cooperation and Development (OECD), the long-term vision for the EU's rural areas – are the most prominent among a large portfolio of policy discourses and agendas. All together, they constitute the overarching policy directions for conceiving strategic actions based on local specificities.

Here below, we highlight a number of significant challenges for policy-makers on how to develop a strategic approach for territorial and local development strategies.

Strategic capacity is about the ability to integrate thematic areas, to mobilise resources and people for a common cause (strategic objective) and to navigate through the process while dealing with uncertainties. In many cases time pressure and already stretched human resources – especially in small regions and municipalities – make this a considerable challenge. First, it is not about implementing standard solutions. Second, managing authorities and local actors have a high level of flexibility in designing and implementing strategies. This underlines the importance of building strategic capacity for both local actors and managing authorities, as lack of expertise may also occur at the level of managing authorities.[19]

Developing a strategy which is transformative, future-oriented and inclusive **requires strategic orientation** to handle the complexity of issues and bring together multiple players and policies with a purpose. This pushes for a change in mind-set and willingness to experiment with novel tools, methods and practices.

Another challenge refers to the fact that **a strategy is never a stand-alone document but always embedded in a web of existing policies and agendas** of various sectors at higher levels of governance. Linking to the objectives put forward by national, EU or global policy agendas is not always easy. Nevertheless, global agendas can help local actors towards a strategic reinterpretation of local and regional development opportunities. Given an increasing and urgent energy and environmental crisis, it is particularly important to explore **how strategies**

19 Capacity as a policy challenge is treated in other chapters of this Handbook. This chapter specifically addresses strategic capacity.

can contribute to a global green transition and fully grasp its opportunities on a local level.

Besides policies and agendas at higher levels of governance, there may be co-existing territorial or local development strategies, often using different territorial tools, that completely or partially operate in the same area. From a strategic point of view, the challenge here is to ensure that overall **policy action is coherent (to strengthen directionality) and coordinated (to increase impact).**

This building block will focus on the following challenges:

- *How to support strategic capacity.*
- *How to enhance strategic orientation through policy innovation.*
- *How to link strategies to EU and global agendas and deliver the green transition.*
- *How to foster coordination between overlapping strategies.*

CHALLENGE 1: How to support strategic capacity

In many cases, regions and municipalities (especially smaller ones) must punch above their own weight when engaging with transformative multi-sector strategies (CoR et al., 2022a).

Concerns about local strategic capacity, mainly expressed by managing authorities, have to do with the lack of focus in identifying development needs and problems, insufficient justification of objectives and their intervention logic and the scope for better thematic integration (Van der Zwet et al., 2017). This applies particularly to complex territorial strategies in countries with less experience in integrated approaches, with high cohesion policy budgets, or where the introduction of territorial tools has prompted policy experimentation.

As a matter of fact, **strategic capacity largely depends on the maturity of institutional environments and appears rather unevenly spread across Europe.** Even in seemingly optimal circumstances (i.e. high levels of capacity and experience) integration can pose significant challenges. Coupled with low budget allocation, this may lead to 'giving up' on integration.

Capacity building measures can help improve policy management, strategic and operational planning, and evaluation. Moreover, working on capacity building across different levels of government ensures that knowledge is passed downwards and upwards, and that shared learning is fully embedded in the policy framework.

Focusing on Community-led Local Development (CLLD) and Integrated Territorial Investment (ITI), there are considerable differences in the targeted offer for capacity building:

- **CLLD strategies** can rely on the extensive methodological support developed within the LEADER approach in past programming periods, well represented

by the European Network for Rural Development (ENRD). Also, the LEADER method embeds a clear focus on cooperation, which helps dissemination and exchange. For example, LEADER/CLLD strategy documents are made available in appealing and easy to understand formats (e.g. booklets, leaflets, project brochures, visuals). Even if in original language, this simple type of easy-access resources nurtures a culture of learning.

- **ITI strategies** were only introduced in the 2014–2020 programming period, and have no dedicated platform for policy learning and support. Thematic objective (TO) 11 'Efficient public administration' was available to support capacity building also for ITI strategies. However, only a few strategies have benefited from this, among others the Spanish AZUL macro-regional strategy and the Danube Delta strategy in Romania. This could signal that strategy-specific investments in capacity building are seen as useful only when high complexity is envisaged, while for most of the cases other forms of technical assistance (e.g. external experts) are preferred.

Strengthening strategic capacity at a local level

Strategic capacity is crucial for local policy-makers who are in charge of steering strategy processes and must have the resources to master it. Capacity can be strengthened by means of staffing, training, networking, establishment of common procedures and organisational arrangements designed to facilitate collaboration and the exchange of knowledge and resources between relevant stakeholders (ESPON, 2013).

In general, managing authorities can support local policy-makers and the wider network of involved players by means of **formal guidance, fine-tuning of different procedures** for strategy management (e.g. templates, selection criteria and methods, evaluation initiatives, agreements) **and technical training.** More importantly, managing authorities can facilitate networking and exchange activities that can also help **to strengthen the collaboration between managing authorities and local strategy teams.** They are also important to activate feedback loops and up-scale the policy messages raised from local experiences and territories.

It is important that procedures for designing and implementing integrated territorial development strategies, especially if new or rather demanding, rely on capacity building measures. This is the example of the RegioWIN competition implemented in the region of Baden-Württemberg (Germany) for the allocation of the European Regional Development Fund (ERDF) in 2014-2020. RegioWIN pushed districts, cities and municipalities to find innovative solutions for sustainable development by working with relevant players from industry, science, society and administration. Moreover, the RegioWIN process gave sub-regional territories extended access to instruments that are usually only available for specialists, and helped to establish strategic thinking in territories with little or scattered strategic awareness or limited collaborative spirit (Haberle, 2016).

National governments can play a prominent role in building strategic capacity. Although this role has not been widely taken up in the 2014–2020 programming period, there are many examples of national policy support systems that have been set up for the 2012–2027 programming period (see Chapter 3, Governance).

In Italy, **the National Strategy for Inner Areas (SNAI)** was initiated in 2014–2020 and is to be continued in the current programming period, making use of both CLLD and ITI for its implementation. One of its key features is the exchange of experience and monitoring at the national level, coupled with local, regional and national learning processes. This allows for progressively increasing the level of autonomy in strategy elaboration and implementation at the local level. This feature is operationalised by the initiative called Federation of Inner Areas. Each inner area can rely on the guidelines, methods and thematic focuses identified in the SNAI, but it has to develop its own unique, place-based strategy. Exchanges and revision rounds that involve technical and sectoral experts at regional and national level accompany the process leading to the final approval of the local strategies.

Learning from practice

FEDERATION OF INNER AREAS (ITALY)

In the context of the Italian National Strategy for Inner Areas (SNAI), the Federation of Inner Areas facilitates the exchange of experiences between Inner Areas by means of a platform for testing, comparing and mutual sharing of local experiences, as well as competence upgrading. The approach differs from the usual concept of technical assistance.

The main rationale is to take individual projects out of their isolation, in order to advance over time the capacity of actors to implement the strategy and innovate together with and in the Federation. In fact, the SNAI envisioned each Italian region to develop a pilot strategy, allowing learning-by-doing across the whole country and thereby developing prototypes to learn from through other territories.

According to the Charter approved in 2018 in a meeting of all the Inner Areas' mayors, the Federation aims to:

- make available technical and strategy management know-how (methods of territorial analysis; statistics and maps; methods of evaluation; project management and evaluation skills; etc.);
- carry out in-depth analysis and comparison between project areas through meetings among local actors and with the involvement of experts able to provide technical information on specific operational aspects;
- develop opportunities for exchange/twinning on key topics among Inner Areas based on 'peer comparison' and a 'learning community';
- track progress of actions implemented in the different areas and monitor the delivery of the overall SNAI strategy;
- strengthen recognition of Inner Areas as a place of experimentation and innovation.

For more information

SNAI website: *https://www.agenziacoesione.gov.it/strategia-nazionale-aree-interne/?lang=en*

Barca, F., Casavola, P. and Lucatelli, S. (Eds.), *A strategy for Inner Areas in Italy: definition, objectives, tools and governance,* UVAL, Issue 31, 2014. Available at: *https://www.agenziacoesione.gov.it/wp-content/uploads/2020/07/MUVAL_31_Aree_interne_ENG.pdf*

Strategic capacity can also be increased by working with external bodies, e.g. research centres, as in the case of the Belgian ITI Limburg strategy (for more information on this example, see Chapter 4, Cross-Sectoral Integration), or even

Be careful!

world organisations like the World Bank, as in the case of the ITI Danube Delta strategy in Romania.

In any case, external support cannot fully replace local capacities to take a leading role in the development of a strategy. **Active local participation and leadership is needed to ensure the ownership of the strategies and smooth implementation.** Taking into consideration that strategic capacity is context-based and evolves over time, institutionalisation is particularly important for new organisational arrangements like networking platforms, joint working groups, new bodies created for strategy implementation, etc. (see Chapter 3, Governance).

A good example of capacity building initiatives targeting local authorities is the Summer School for local administrators[20] organised since 2017 by ComPA FVG Foundation, an instrumental body of the National Association of the Italian Municipalities, in collaboration with the OECD Trento Centre for Local Development. The Summer School is conceived for policy-makers (i.e. local elected representatives) to acquire an open mind-set towards strategic planning, integrated local development and EU policy instruments.

Finally, both ITI and CLLD strategy teams can also receive support from **technical assistance** (TA) in the context of EU cohesion policy.

Strengthening strategic capacity of managing authorities

Lack of strategic capacity and skills can also affect managing authorities, for example when it comes to understanding integrated place-based approaches. It is crucial for managing authorities to have the necessary capacities for this as they play a key role in defining the rules of the game and setting the conditions for ensuring a positive impact.

National support systems can play a relevant role also for managing authorities (see Chapter 3, Governance) but there are practical solutions to be explored even when such support systems do not exist. One solution can be **to increase communication across different managing authority units.** Depending on the institutional organisation, this can involve the department responsible for territorial and local development strategies (usually with large expertise on EU funding and regulations, but limited knowledge on content and methods for strategic territorial planning), sector departments that work on relevant technical components of a strategy and other departments with previous experience with an integrated approach (for example, those that have dealt with LEADER strategies being implemented in the past). Another solution would be **to reinforce the role of existing units for better linking internal and external networks.** This would be the case, for example, of a regional statistical department that elaborates indicators for the totality of the strategies in a region, building a transparent evidence-base and a common baseline and allowing benchmarking. The same department could also promote fruitful dialogue between the programming unit and the evaluation unit (see Chapter 6, Monitoring).

Moreover, funding for **technical assistance** (TA) from the EU cohesion policy could also be directed to staff of managing authorities.

20 *https://www.oecd.org/cfe/leed/summer-school-fvg.htm*

Capacity building offered by EU networks

Given that there is no dedicated network under cohesion policy supporting strategic capacity of territorial and local development strategies in non-urban areas, **peer-to-peer learning at country and international level can be a valid option.** For instance, the EU tool **TAIEX-REGIO PEER2PEER**[21] can be used to facilitate exchange of expertise among bodies managing ERDF, Cohesion Fund (CF) and Just Transition Fund (JTF), including both managing authorities and local bodies implementing integrated territorial development strategies. The tool helps civil servants share knowledge, good practice and practical approaches with their peers in other EU countries (see Chapter 3, Governance chapter).

Going beyond the strict context of EU cohesion policy, methodological support provided by **platforms and networks tailored to local development, rural areas or small towns can provide useful information to a wide range of territorial and local development strategies.** Among the main relevant EU networks, we highlight the European Network for Rural Development (ENRD)[22], now managed under the Common Agricultural Policy Network (CAP Network)[23], and the Fisheries and Aquaculture Monitoring, Evaluation and Local Support Network (FAMENET)[24] as well as international associations like the European LEADER Association for Rural Development (ELARD)[25] and the Local Development Network (LDnet)[26].

Additional resouce

EUROPEAN NETWORK FOR RURAL DEVELOPMENT (ENRD) AND COMMON AGRICULTURAL POLICY NETWORK (CAP NETWORK)

The ENRD, established in 2008 by DG AGRI, is a hub that connects rural development stakeholders throughout the EU. The ENRD contributes to the effective implementation of Member States' Rural Development Programmes (RDPs) supported by the EU Common Agricultural Policy (CAP) by generating and sharing knowledge, as well as through facilitating information exchange and cooperation across rural Europe.

Some examples of resources aiming at improving strategic capacity are:

- The ENRD work on LEADER and Community-Led Local Development has contributed to improving the quality of LEADER/CLLD strategies implemented under RDPs. Among the many resources that can be useful for managing authorities and local actors implementing CLLD under the EU cohesion policy, there are: the LEADER Toolkit, a full guidance package for policy-makers and implementers; the ENRD repository of good practices and common issues; peer learning and capacity building events for LEADER/CLLD actors.
- The ENRD Thematic Groups (TGs) on Rural Revitalisation and on Rural Proofing. The TG on Rural Revitalisation has focused on the key enabling factors that drive rural revitalisation and shares best practice. The report 'Enabling factors for rural revitalisation & a self-assessment tool for policy design', published in 2022, aims to help stakeholders assess if key factors for successful policies

21 *https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/taiex-regio-peer-2-peer*
22 *https://enrd.ec.europa.eu*
23 *https://eu-cap-network.ec.europa.eu/index_en*
24 *https://oceans-and-fisheries.ec.europa.eu/funding/famenet_en*
25 *http://elard.eu*
26 *https://ldnet.eu*

and programmes are in place. The TG on Rural Proofing has developed recommendations that can guide the design and implementation of rural proofing mechanisms within Member States at different administrative levels (national, regional and local).

- The ENRD Smart Villages Portal offers videos, publications, thematic briefs, case studies and orientations on how to build complementarities between Smart Villages strategies and CLLD and ITI strategies.

Future networking work relevant for territorial and local development of rural areas (e.g. LEADER CLLD, Smart Villages, rural proofing, etc.) will continue under the CAP Network.

For more information

ENRD website: *https://enrd.ec.europa.eu*

ENRD Smart Villages Portal: *https://enrd.ec.europa.eu/enrd-thematic-work/smart-and-competitive-rural-areas/smart-villages_en*

European Network for Rural Development (ENRD) - LEADER/CLLD: *https://enrd.ec.europa.eu/leader-clld_en*

European Network for Rural Development (ENRD), Thematic Group on Rural Revitalisation, 'Enabling factors for rural revitalisation & a self-assessment tool for policy design', June 2022. Available at: *https://enrd.ec.europa.eu/publications/enabling-factors-rural-revitalisation-self-assessment-tool-policy-design_en*

CAP Network: *https://eu-cap-network.ec.europa.eu/index_en*

EU-wide initiative supporting smart villages can also be useful to enhance strategic capacity when designing small-scale territorial and local development strategies in non-urban areas.

Additional resouce

1ST PREPARATORY ACTION ON SMART RURAL AREAS IN THE 21ST CENTURY – SMART RURAL 21 (2019–2022)

The EU Action for Smart Villages was launched by the European Parliament in the spring of 2017, with the support of three European Commission Directorates General (DGs) – DG for Agriculture and Rural Development (AGRI), for Regional and Urban Policy (REGIO) and Mobility and Transport (MOVE).

The 'Preparatory Action on Smart Rural Areas in the 21st Century' (Smart Rural 21) project was launched in 2019. It aims to promote and inspire villages across Europe to develop and implement smart village approaches and strategies.

It offers direct technical guidance to 21 selected rural communities and, since 2020, the Come Along! Activity has opened up the opportunity for other villages to join.

Among other tools, the project offers a Roadmap Toolbox for strategy delivery. More specifically, the editable template called 'Smart Village Strategy Template' helps rural communities develop a clear vision and define the related action plan for their village's medium to long term development. The strategy template consists of a predefined structure with different sections (to be completed by smart village leaders) and builds on participatory approaches within the local community. Each section contains a series of guiding questions to help local strategy owners

fill it in. The components of the template refer to stakeholder engagement; links to programmes/ strategies at a higher administrative level; links to existing local strategies and smart solutions.

The Smart Rural 21 project will continue under the '2nd Preparatory Action on Smart Rural Areas in the 21st Century' (Smart Rural 27).

For more information

Smart RURAL 21 website: *www.smartrural21.eu*

Smart Village Strategy Template:
https://www.smartrural21.eu/roadmap-toolbox/smart-village-strategy-template

Smart RURAL 27 website: *www.smartrural27.eu*

CHALLENGE 2: How to enhance strategic orientation through policy innovation

Territorial and local development strategies are meant to be transformative strategies, i.e. able to identify new pathways and deliver change, which mark the essence of a strategic dimension.

In order to successfully cope with increasing environmental, social and economic complexities as well as high uncertainty, territorial and local development strategies must count on the contribution and commitment of a large number of actors and organisations – both within and outside the geographical remit of the strategy. Consequently, their strategic orientation largely builds on the capacity to create a sense of collective direction underpinning the large set of actions (financial, organisational, behavioural, etc.) needed to achieve a desired policy objective. This means that policy-makers must be ready to test more collaborative efforts and policy innovation, i.e. 'novel processes, tools and practices used for policy design and development that result in better problem solving of complex issues' (Brookfield Institute for Innovation + Entrepreneurship, 2018).

Policy innovations can also help to link the 'what' and 'how' questions: what the strategy is about and how it is designed, implemented and revised. **Experimentation, learning and reflective practice can enhance and help maintain the strategic orientation of policy action from design to delivery.** This includes:

- reflection-in-action to feed informed decision-making and allow adaptation over time; and
- reflection-on-action, which requires stepping back and reflecting on the process so far (e.g. through policy evaluations or stock-taking of policy impacts).

Additional resouce

OECD OBSERVATORY OF PUBLIC SECTOR INNOVATION

The OECD Observatory of Public Sector Innovation was founded in 2013 and puts innovation at the heart of government. It provides public sector innovation support and guidance, covering the following topics: anticipatory innovation; mission-oriented innovation; innovation trends; systems approaches; innovation management; strengthening innovative capacity.

It offers an extensive repository of policy innovation efforts and has become a global knowledge hub for sharing learnings by means of:

- Case Study Library. This webtool contains many case-studies and allows exploring them by: country, level of government, type of innovation, stage of innovation, etc.
- Toolkit Navigator. This compendium for public sector innovation and transformation offers freely available innovation toolkits (tools, methods, handbook, studies, game-based tools, etc.). It contains information about common methodologies used for public sector innovation, links to relevant government case studies applying these methodologies and access to a network of public sector innovators.
- Portfolio Exploration Tool. This free self-assessment tool allows for determining an organisations' capability to innovate and helps to discover and organise innovation activities within a coherent portfolio.

For more information

OECD Observatory of Public Sector Innovation website: *https://oecd-opsi.org*

Be careful!

Findings from the Territorial Agenda 2030 Pilot Action 'A future for lagging regions'[27] underline that strategies should include experimental clauses and allow for innovation when traditional tools do not match the needs of territories (BBSR, 2022).

Not all experiments and innovations are success stories. Therefore, **it is important to allow for failures or paths that are less fruitful than expected, and to learn from mistakes.** Failures should be seen as opportunities for learning and readapting. Experimentation and bearing the uncertainty of outcomes requires institutional capacity, which initially needs to be developed. Poor quality of regional or local institutions and inadequate capacities of local elites may hamper this process. As such, it is necessary to find appropriate and possibly less disruptive ways to introduce policy innovations that are suitable for a place's particularities.

To provide some inspiration and allow for a discussion about which types of policy innovation might be relevant in a particular context, four approaches to strategy–making that can be relevant for territorial and local development strategies include:

- mission-oriented approach;
- spatial imaginary;
- co-design; and
- stewardship.

27 *https://territorialagenda.eu/pilot-actions/a-future-for-lagging-regions*

Mission-oriented approach

Territorial strategies usually respond to one or several grand societal challenges (e.g. demographic change, economic revitalisation, digital transition, carbon neutrality, etc.) and create public value for inhabitants. A mission-oriented approach aims to engage research and innovation (R&I) in meeting such challenges, providing a clear purpose to action, orchestrating the rich diversity of expertise, instruments, resources and competences that are scattered over different players, and enabling bottom-up solutions (EC and Mazzucato, 2018). Thinking in terms of broader missions can help territorial development strategies to focus, generate excitement, and identify opportunities in ambitious ways. At the same time, **a mission-oriented approach requires a deep understanding of contextual challenges to stimulate new opportunities.** It is by locating missions in places – e.g. in towns, regions, islands or forests – that a range of both problems and solutions come together (Vinnova, 2022).

Achieving carbon neutrality by 2030 in a specific town, district or region is a clear example of a mission-oriented approach to the climate challenge, which otherwise could remain an abstract goal. This is well illustrated in the climate mission of the Finnish municipality of Ii.

Learning from practice

II MUNICIPALITY'S CLIMATE MISSION (FINLAND)

The municipality of Ii encompasses a town of some 10,000 inhabitants north of the city of Oulu. Ii thrives to become a zero emission and waste-free community. A decade ago, municipal leaders and stakeholders joined forces and decided together to address the climate change challenge through a wide range of voluntary initiatives from grassroots level. Since then, the main goal has been to develop local solutions to global challenges.

Ideas and plans around a clean energy transition have led to a long-term integrated strategy for a fully carbon-neutral municipality. Wide participation has helped ensure local ownership and collective commitment.

Many projects have been put in place around the main mission of carbon-neutrality, investing on research and innovation (R&I) activities as well as on inclusiveness.

For example, the 'CircLab' project (2019-2021) aims at developing local competence and service models in circular economy as a nutrient recycling cluster. Micro-seaweed solutions are used to clean industrial waste waters to create valuable nutrients for further green growth. At the same time, main efforts have been made towards encouraging active engagement of children and young people through climate action activities in all schools and nurseries. It is considered an important investment at the heart of Ii's climate work, in anticipation of the days when these children will likely have leading roles in society.

To ensure that strategic orientation is maintained during the implementation phase of the local strategy, the various action lines and projects are secured into the budget and all departments have to report on their contribution to the strategy.

The strategy has benefitted from the support of the Finnish national programme HINKU – Towards Carbon Neutral Municipalities. Launched in 2008, it is a network

that brings together municipalities, businesses, citizens and experts to meet climate change mitigation objectives. The HINKU network is supported by the Towards Carbon Neutral Municipalities and Regions (CANEMURE) project, funded by the EU LIFE programme.

For more information

S3P - Smart stories - Green transition becomes reality in Ii Municipality, Oulu Region, Finland: *https://s3platform.jrc.ec.europa.eu/en/w/green-transition-becomes-reality-in-ii-municipality-oulu-region-finland.*

Carbonneutralfinland.fi website: *https://hiilineutraalisuomi.fi/en-US*

Mission-oriented strategies can generate large and small innovative projects:

- **Large-scale projects.** These projects can become the backbone of the strategy because they translate the mission into several structural actions. For them, stronger decision capacity and commitment is required by both public authorities and important stakeholders. The projects have the key visibility that reinforces the unitary understanding of the designed territory.
- **Small-scale projects.** These projects can mobilise actors in the area and make the entire strategic process more visible, establishing the foundation for consensus and for larger forms of cooperation. Small innovations that make a difference in the short-term are crucial to creating commitment in the long-term. In this way, local communities can see the results and realise the potential for change. For example, even low-budget CLLD strategies can perform strategically by serving as testing beds for small innovations; scaling-up can be implemented under other regional or national programmes.

Spatial imaginary

A spatial imaginary or vision defines a desirable picture of the future and illustrates it in appealing images concerning the strategy area (e.g. maps, visual scenarios, datascapes, postcards from the future, etc.). To be meaningful, it needs players who share common values, commit to clear actions and a timeframe to realise the vision in the long-run. In such cases, **a spatial imaginary can become the guiding reference for experimental projects based on strategic objectives.**

Be careful!

The absence of a common narrative in policy design and strategies – which can also be called a lack of spatial imaginary –represents a serious challenge for territorial cohesion as it can contribute to uneven patterns of economic development (ESPON, 2021b).

Territorial and local development strategies prompted by the EU cohesion policy outside standard planning processes can make use of spatial imaginary for generating new territorial narratives, and mobilizing them into operational policy instruments.[28]

Be careful!

Territorial and local development strategies are and should remain living documents that are adapted throughout their implementation to respond to new emerging needs.

28 The ESPON project IMAGINE (2021) explores the interregional area between Milan and Bologna in Italy, with the aim of developing formal cooperation and establishing joint spatial scenarios and policies, eventually delivering an experimental ITI strategy proposal: *https://www.espon.eu/imagine*.

Strategic planning is inherently about the future, but the future is inherently uncertain. Local changes, as well as disruptive global factors (such as the 2008 financial crisis, the European migrant crisis and the more recent COVID-19 and energy crisis) may require revision.

A good strategy equips an area and communities with the means to react and adapt to uncertain circumstances and allow them to explore and compare alternative spatial scenarios, as illustrated by the 'Luxembourg in Transition' initiative.

Learning from practice

LUXEMBOURG IN TRANSITION (2020-2022)

In the face of the global environmental emergency, Luxembourg is seeking to equip itself with a territorial strategy based on a broad citizen consensus. This strategy comprises a long chain of decisions and actions aiming to reverse the actions and processes that contribute to the phenomenon of climate change (transition), while attempting to minimise the impact on citizens' quality of life and on biodiversity.

To support this process, in 2020 the Department of Spatial Planning of the Ministry of Energy and Spatial Planning launched an urban-architectural and landscape consultation entitled 'Luxembourg in Transition – Spatial visions for the low-carbon and sustainable future of the Luxembourg functional region.' 'Luxembourg in transition' has developed a spatial vision – or spatial imaginary – for a zero-carbon and resilient future. The visioning process was conducted in cooperation with a small number of multidisciplinary teams in three stage to deliver ecological transition scenarios for Luxembourg and its cross-border area, translated into concrete flagship projects. To sketch out this evolution, the teams developed visionary and effective tools, methods and devices through intense interdisciplinary work within the Luxembourg cross-border functional region as a case study and primary object.

This process is also one of the policy actions of the Territorial Agenda 2030.

For more information

Luxembourg in transition website: *https://luxembourgintransition.lu/en*

Territorial Agenda 2030 pilot action:
https://territorialagenda.eu/pilot-actions/cross-border-spatial-planning

Co-design

Co-design reflects a fundamental change away from developing policy *for* people and towards designing policy *together with* citizens and stakeholders. It also fosters new collaborations between citizens and governments and between citizens affected by, or attempting to resolve, a particular challenge.

There is an increasing demand for support on how to organise and facilitate policy co-creation processes and remarkable experiences run in the context of EU regional policy (see chapter 3, Governance). A wide range of tools and techniques are available to support the co-design process of territorial strategies, e.g. workshops, consultation, fieldwork, living labs, serious game, etc.

Among them, **living labs**[29] **can be a good tool to refresh the CLLD method** with a stronger focus on innovation and they can also help get a new strategy off the ground. For instance, living labs have been used in the development of integrated development strategies under the cross-border programme ALCOTRA (FR-IT) in the programming period 2007-2013.

In most cases, no single actor has sufficient encompassing knowledge to know what works, where and why. Therefore, **co-design processes can be crucial for detecting local needs and capacities, as well as local actors' availability and commitment to strategy delivery.**

Learning from practice

CLLD STRATEGY OF LOCAL ACTION GROUP GOTSE DELCHEV-GARMEN-HADZHIDIMOVO (BULGARIA)

The 2014-2020 CLLD strategy of the Local Action Group (LAG) 'Gotse Delchev-Garmen-Hadzhidimovo' in Bulgaria shows the importance of identifying small-scale projects that match a local community's needs with the feasibility of investments.

In this case, the ambition of the strategy was determined by a reality check assessing meaningful impacts. As such, the definition of the strategy action plan took into account the potential beneficiaries, which had been identified and involved in the consultation process. During the public discussion, different measures, their prioritisation and the distribution of the financial resources were discussed in detail. The potential beneficiaries of projects contributed to identifying the needs and problems of the territory. Furthermore, they proposed priorities and measures and expressed interest in its future application, helping the LAG in evaluating the implementation potential of each measure against the overall objectives of the strategy.

Measures are funded under single funds among the three different funds available, including ERDF, the European Agriculture Fund for Rural Development (EAFRD) and the European Social Fund (ESF). This choice was made pragmatically with respect to the potential beneficiaries, for whom combining different funds under a single project was seen as too difficult, risking hampering their implementation.

For more information

Vakareeva, Tereza, *LAG GOTSEDELCHEV-GARMEN-HADZHIDIMOVO (Bulgaria),* in Servillo, L., *CLLD under ERDF/ESF in the EU: A stock-taking of its implementation,* Final Report, European Commission, Brussels, December 2017. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/clld-under-erdf-esf-in-the-eu-a-stock-taking-of-its-implementation*

STRAT-Board strategy fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=BG-CLLD-002&fullscreen=yes

Innovative co-design mechanisms can also become embedded in the implementation phase, as in the case of the ITI strategy of the Spanish region of Castilla-La Mancha (for more information on this example, see Chapter 5, Funding and Finance). Here , novel co-design arrangements primarily target sub-regional public administrations and aim to develop new knowledge in order to fully exploit the growth potential of a place, as this kind of knowledge is usually not readily available (Barca, McCann and Rodriguez-Pose, 2012).

29 According to the European Network of Living Labs (ENoLL), living labs are open innovation ecosystems in real-life environments: *https://enoll.org/about-us/what-are-living-labs*.

Learning from practice

INTEGRATED TERRITORIAL INVESTMENT (ITI) OF CASTILLA-LA MANCHA (SPAIN)

The ITI strategy of Castilla-La Mancha pursues the socio-economic recovery of five extremely sparsely populated areas at risk of high depopulation. The strategy focuses on digitalisation, promotion of new economic activities and sustainable use of endogenous resources, with large economic potential expected in green economy sectors. It draws financial support from ERDF, ESF and EAFRD and integrates them at programme level to ensure the smooth implementation of projects. The strategy-making builds on the engagement of local actors, a thorough identification of local challenges and tailored statistical analyses of socio-economic and territorial indicators.

In order to prioritise interventions tailored to local needs and opportunities, an innovative mechanism for collecting 'Expressions of interest' has been introduced. Through this mechanism, sub-regional public bodies (town councils, provincial councils, or other government bodies) can submit project ideas for co-funding. This is particularly relevant in territories suffering from severe depopulation, as there is no easy solution to the challenges and the engagement of local stakeholders is difficult.

Territorial Participation Subcommittees in each province facilitate the participation and dialogue with the ITI territories for the elaboration of 'Expressions of interest', their evaluation and promotion. These Subcommittees are in charge of identifying potential project ideas, helping local stakeholders prepare 'ex ante' projects that can be submitted to calls and assessing all projects submitted so as to ensure the relevance of the projects and actions supported in the territory. Technical assistance is made available in each of the five ITI areas.

For more information

Paton, J., ***Analysis of the ITIs effectiveness in Spain (2014-2020),*** Infyde, European Commission Directorate-General for Regional and Urban Policy, 2020. Available at: *https://iti.castillalamancha.es/sites/iti.castillalamancha.es/files/2020-03/ITI_E3_FINAL_Report_Spanish_Version-CLM.pdf*

ITI Castilla-La Mancha website: *https://iti.castillalamancha.es*

STRAT-Board strategy factsheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=ES-128&fullscreen=yes*

Stewardship

Stewardship involves accompanying the policy process, looking after it and steering it towards certain outcomes. It goes well beyond facilitation, as it actively shapes the course of innovation (Boyer et al., 2013) and can be seen as a form of leadership that focuses on the community and society at large. In short, stewardship is the art of getting things done amidst a complex and dynamic context.

Stewardship is a core ability for agents of change when many minds are involved in conceiving a course of action, and many hands in accomplishing it. This is the case of territorial and local development strategies, which depend on many different actors working together, and for many years. The implementation of a strategy is better guaranteed by this stewardship for the entire strategy

process, from design to implementation. This involves a group of organisations or people who steer the strategic priorities to achieve meaningful changes. In this manner, the capacity to cooperate is reinforced and strategic orientation is enhanced, like in the inspirational example of the local development strategy of Fundão in Portugal.

Learning from practice

FUNDÃO INNOVATION PLAN (PORTUGAL)

Fundão is a Portuguese municipality of approx. 700 km² and 27 000 inhabitants – 15 000 of which live in the core town. The area is located in the interior of the country and has been experiencing a progressive population decline along with economic stagnation since the 1960s.

To revert these developments, the Fundão municipal council has worked, since 2012, towards a smart territorial innovation strategy that promotes the diversification of the local economy with the goal of making it fit for the digital era. The strategy addresses all the factors that contribute to attracting and retaining people through investment in innovation, qualified employment and quality of life standards. To do so, major efforts have been made on education and training, IT technology, R&D and Agriculture 4.0.

The strategy was designed with a network of partners ('with all and for all') – Smart Rural Living Lab Cova de Beira – that Fundão created and leads under the coordination of the mayor's office. The consortium integrates public and private entities (Universities, schools, associations, companies and financial institutions). The Smart Rural Living Lab Cova de Beira was created in partnership with the European Network of Living Labs.

To finance the various activities, the local development strategy has bound together different streams of national, European and private funding. The sub-regional ITI Beiras and Serra de Estrela, which includes ERDF, ESF, the Cohesion Fund (CF) and EAFRD, for instance, financed schools' renovation and adaptation, the hospital extension and a program of valorisation of natural heritage. Economic support for the strategy also came from private investors. Other interventions have been financed by means of the municipal SUD strategy and two CLLD strategies.

As a result of this strategy, Fundão has been able to create an innovation ecosystem that has attracted so far 16 IT companies, created 1 000 qualified jobs in the digital sector and over 80 start-ups, and supports 250 private investment projects. In a region threatened by depopulation, Fundão registers today a positive migratory balance and people from 63 different nationalities call it home.

Main success factors of the local development strategy include a strong (mayoral) leadership; an inclusive approach, whereby the strategy is simple and easy to understand for everyone; a pragmatic approach to size action according to the limited human resources of the local municipal team; community ownership, communication and promotion as an integral part of the strategy making – targeting both the local community and the outside world.

For more information

STRAT-Board Strategy Fact Sheets:

- Pact for Territorial Development and Cohesion of the Intermunicipal Communit of Beiras and Serra Da Estrela: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=PT-122&fullscreen=yes*

- CLLD strategy Beira 2020: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=PT-CLLD-048&fullscreen=yes*
- Strategic plan for urban development of Fundão: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=PT-127&fullscreen=yes*

CHALLENGE 3: How to link strategies to EU and global agendas and deliver the green transition

Territorial and local developments often deal with the consequences or local impacts of global developments such as climate change, loss of biodiversity, environmental hazards, etc. Mitigating risks and increasing resilience to developments beyond their own sphere of influence is a major challenge for regional and local strategies. While primarily addressing regional and local development needs, strategies need to reduce potential local impacts of future risks; but they also aim at making a difference with regards to the factors causing the risks at a global level, for example by reducing pollution, waste or soil sealing.

Overarching strategies and policy agendas

In many cases, **regional and local players can gain support by linking their strategic work to overarching strategies and policy agendas** at national, macro-regional, European or global level.

With regard to climate change and environmental degradation – the most challenging threats to living conditions – the key policy packages at the EU level are: the EU Green Deal[30] (including the 'EU Fit for 55' covering a wide range of policy areas like climate, energy, transport and taxation[31]), the EU Soil Strategy[32] and the EU Biodiversity Strategy.[33] The Territorial Agenda 2030 has a stronger territorial focus with its Green Europe objective. At a global level, related objectives can be found in the UN 2030 Agenda and SDGs.[34]

There are also other key policies that have a strong impact on non-urban territories. The new European Digital Agenda,[35] or the long-term vision for the EU's rural areas (LTVRA),[36] are prominent examples among a vast number of **overarching** strategic frameworks.

30 *https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en*

31 *https://climate.ec.europa.eu/eu-action/european-green-deal/2030-climate-target-plan_en*

32 *https://environment.ec.europa.eu/publications/eu-soil-strategy-2030_en*

33 *https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en*

34 *https://sdgs.un.org/2030agenda*

35 *https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_en*

36 *https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/long-term-vision-rural-areas_en*

A major objective of all the above agendas is **the just and green transition, i.e. the transition towards a climate-neutral society in a fair way, leaving no one behind.** More concretely, it implies the transition of the EU economy and society towards carbon neutrality by 2050 and the achievement of international climate and environmental objectives. This includes cutting pollution and waste, but also developing green technologies and creating a sustainable industry and transport sector. To achieve a green transition, the EU and national levels provide framework conditions, regulatory and legal settings and funding. However, **the local and regional level is pivotal for building resilient communities** and steering regional and local developments **towards a carbon neutral, resource efficient and prosperous future.**

Strengthening local ownership

Territorial and local strategies can benefit from reinforced links with the EU Green Deal towards more resilient territories. Thanks to its strong narrative and funding, **the EU Green Deal can help build more focused strategic orientation** based on the valorisation of natural resources, pool relevant stakeholders and bundle investments from different financial sources.

At the same time, **territorial and local development strategies can effectively contribute to delivering the EU Green Deal.** In fact, local governments are more and more deeply engaged in designing and implementing many of the policies covered by the EU Green Deal (CEMR, 2020). More specifically, they can help green and just interventions be defined on the basis of territorial specificities (ESPON, 2022) and be addressed in an integrated way.

Learning from data

Already today, the green transition is an important topic addressed in many territorial and local strategies. Data from the 2014–2020 programming period show that almost 40 % of territorial and local development strategies address issues such as air quality, circular economy, climate adaptation, energy, low carbon economy, nature-based solutions. Around 30 % of strategies address thematic objectives (TOs) related to green investments (i.e. TO4 'low-carbon economy', TO5 'climate change adaptation, risk prevention and management', and TO6 'environment protection and resource efficiency') aiming to develop an integrated strategy for a given territory. Moreover, two out of three of these strategies indicate social inclusion as a cross-cutting key-word.

To a large extent, strategies already conform with the EU Green Deal themes, but investments are not necessarily fully plugged into the green transition narrative.

To address this point, the Green Deal Going Local flagship initiative of the Committee of the Regions addresses regional and local politicians with the aim of bringing the green transition on political agendas across Europe and linking it to local needs and planning processes.

COMMITTEE OF THE REGIONS – GREEN DEAL GOING LOCAL

Green Deal Going Local is a flagship initiative of the European Committee of the Regions (CoR). It emphasizes that places, cities and regions are at the heart of the EU's transition towards climate neutrality. It comprises a set of communication and engagement tools to accelerate the green transition at the local and regional level. The main goals are:

- To empower Europe's local and regional leaders to take action on climate change.
- To accelerate the up-take of EU funds among local and regional authorities and increase delivery of sustainable EU-funded projects in Europe's local communities.
- To showcase how EU regions, cities and villages are leading the efforts to adapt to and mitigate climate change.
- To change and improve EU policy-making so it gives a stronger voice to cities and regions in order to be more effective in implementing the European Green Deal and ensure delivery of EU climate change targets.

Among other components, the initiative comprises an interactive map of best practices that displays how cities and regions are delivering on the priorities of the Green Deal and contributing to a green recovery to reach a more sustainable, inclusive and resilient society.

For more information

Green Deal Going Local website: *https://cor.europa.eu/en/engage/Pages/green-deal.aspx*

Green Deal Going Local best practices: *https://cor.europa.eu/EN/regions/Pages/eir-map.aspx-?view=stories&type=greendeal*

European Committee of the Regions (CoR), Gløersen, E., Gorny, H., Mäder Furtado, M., et al., *Implementing the European Green Deal: handbook for local and regional governments*, European Committee of the Regions, 2022b. Available at: *https://data.europa.eu/doi/10.2863/343634*

Additional resouce

Global challenges should be seen as local challenges. In order to simultaneously meet local development objectives and the EU Green Deal's long-term goals, a vision is needed that is able to translate those global goals into meaningful local action. This will help develop ownership and commitment to them. **Ownership for sustainability puts communities in control of development interventions** and creates the preconditions for impactful coordination with other sectoral investments (see Chapter 4, Cross Sectoral Integration).

The deep change required by the transition may significantly impact the local labour market structure. Especially in contexts that cannot offer the same variety of opportunities as cities and urban regions, these changes can imply major socio-economic challenges.

The transition must be planned with the support and guidance of **people and actors that are more likely to be affected by the change,** adjusting climate resilience and adaptation visions to context-specific characteristics and social inertia; special attention should be given those communities that stand to lose out from the green transition.

Be careful!

Additional resouce

EIT CLIMATE-KIC REBOOST – A BOOST FOR RURAL LIGNITE REGIONS (2020–2022)

The EIT Climate-KIC project REBOOST supports stakeholders in three European lignite regions (Lusatia in Germany, Konin in Poland and Gorj in Romania) in the transition from the current high economic dependence on lignite to a low-carbon future.

It uses strategic simulation techniques to involve and empower local stakeholders in the design and exploration of alternative future pathways by means of an interactive virtual environment.

The REBOOST Simulation is a facilitator-led multiplayer game that allows participants (10-30) to test solutions towards a just transition and a revitalisation of a fictional region based on the case studies researched in the project. The simulation targets two types of users – facilitators who are willing to use the game to bring the related topics to wider audiences, and players who will engage in the knowledge co-production through participation.

The results of the simulations are shared using an online platform that favours mutual learning and innovation diffusion across regions.

Building on the outcomes, promising follow-up actions are implemented with the potential to feed into a Deep Demonstration programme for just transformations.

The Climate-KIC Deep Demonstration programme focuses on system innovation and offers tools and methods to develop a balanced portfolio of interventions – across education, technological innovation, citizen engagement, policy, finance and other relevant levers of change.

For more information

REBOOST project: *https://www.climate-kic.org/news/lignite-regions-just-transition*

EIT Climate-KIC Deep Demonstration programme: *https://www.climate-kic.org/programmes/deep-demonstrations*

Gathering knowledge for change

In rural areas, green transition supports **an emerging trend that increasingly draws upon scientific knowledge in the valorisation of a widening spectrum of endogenous resources** (Rosa Pires et al., 2014). Sustainable food production, bioeconomy, renewable energy, manufacturing of natural fibres like cotton, wood or cellulose, ecosystem services, environmental protection, hydrologic risk prevention or sustainable management of natural resources – are all examples of activities through which local communities can more easily connect with knowledge and technology actors (universities, technological centres, digital providers, companies, etc.) as well as consumers.

Researchers can play a decisive role not only in providing new information and relevant knowledge but also in providing access to new perspectives and policy approaches, as well as networks and experiences.

Be careful!

However, in local development projects it is not enough to be able to understand and explain a specific reality. What is expected is to actually change reality. For a researcher, this implies going beyond standard research design methods to incorporate essential features of policy delivery such as resource mobilisation, decision making and project management (namely, who is going to do what, when and with what type of support and motivation) and the integration of non-scientific types of knowledge.

The French village of Cozzano is an example of how a local strategy for sustainable development and resource management can be reframed to enter the green and just transition transformation pathway. This small municipality has succeeded in **developing a collective intelligence strategy around the green economy** by using the natural resources of the village, involving the inhabitants and various local stakeholders and engaging with research organisations and energy and digital players.

Learning from practice

SMART PAESI – SMART VILLAGE COZZANO 2017–2020 (FRANCE)

Cozzano is a village of 270 inhabitants located in the southern mountainous part of Corse; it faces the risk of desertification. To address the severe depopulation, Cozzano has developed a strategy for new services and infrastructures integrating sustainable development. The goal is to become a positive-energy village able to produce twice the amount of (sustainable) energy it consumes. Cozzano was the first Corsican municipality to be equipped with a biomass heating plant, inaugurated in 2015. It produces hot water that is used to heat 1 200 m² of buildings in the village, including the town hall, kindergarten, school and post office.

In 2016, the initiative took a new direction thanks to a partnership with the local University and the kick-off of the Smart Paesi project (2017–2020), transforming the village of Cozzano into a real living lab. The project is the result of an ERDF call for projects on digital technology from the Corsican regional authority.

New technologies (a micro-hydroelectric power plant, wireless sensors for collecting environmental data, connected devices, etc.) are used to bring the village into the digital era and accelerate the transition of Cozzano towards climate and energy resilience.

To make the data accessible to all, researchers have developed a simple data visualisation tool and a simulation tool to raise awareness on energy savings. Education activities in the local primary school feed digital and environmental awareness-raising and an ICT innovation centre (C.I.N.T.U.) has been set up in collaboration with the University of Corsica.

The main success factors in Cozzano (EC, 2020) are:

- the development of an integrated development strategy with well-defined objectives and projects that are easy to understand and become engaged with;
- the involvement of multiple partners both from the local community and from outside the community (university and companies);
- the smooth cooperation between policy-makers and researchers, built on a collaborative partnership approach;
- the building of trust and involvement of the local population through raising awareness and sharing information with all actors.

For more information

European Commission (EC), Directorate-General for Agriculture and Rural Development, *Pilot project: smart eco-social villages: final report,* Publications Office of the European Union, Luxembourg, 2020. Available at: *https://op.europa.eu/en/publication-detail/-/publication/9ff90911-a0c9-11ea-9d2d-01aa75ed71a1/language-en*

EUROMONTANA, Good practice: Cozzano: a sustainably Smart Village, December 2020. Available at: *https://www.euromontana.org/wp-content/uploads/2020/12/2020-11-26-Cozzano-un-Village-durablement-Intelligent_EN.pdf*

Smart Paesi – Smart Village website: *https://smartvillage.universita.corsica/?lang=fr*

Procedures supporting the green transition

To ensure consistency between territorial development strategies and overarching agendas, **managing authorities can introduce reward selection criteria** for proposed plans or projects based on how much they are aligned with these agendas, additionally to more common criteria. Metrics is a key dimension (see Chapter 6, Monitoring); there are efforts to define assessment criteria for circular economy projects at EU level, e.g. the assessment table developed by the H2020 project SCREEN and based on the collaboration with 17 EU regions in 2018.[37]

Another feasible option for large territorial strategies with significant investment priorities related to the green transition is the establishment of environmental-oriented technical committees at strategy level. Alternatively, for local development strategies with a small budget, staffing the team responsible for the selection of projects with relevant expertise in the field (or even relying on external professionals) could work effectively while limiting management costs.

CHALLENGE 4: How to foster coordination between overlapping strategies

Regulations allow for different territorial development strategies to coexist in the same territory. In best case scenarios, the different strategies can develop synergies and mutually reinforce each other. However, synergies between strategies might be underexploited. In worst case scenarios, strategies might thwart each other's impacts.

Learning from data

Evidence from 2014–2020 shows that the same territories can be targeted by more than one territorial or local development strategy, including both CLLD and ITI strategies. This is likely (though not exclusively) to happen in areas belonging to 'less developed' type of regions, where funding availability is bigger. Moreover, when ITI strategies address regions or larger functional areas, it is often the case that they overlap with both CLLD (which has regulatory limitations in terms of population covered) and SUD strategies.

There are also countries where municipalities cannot be part of more than one strategy. However, when this rule exists, it usually applies to strategies under the same

37 *http://www.screen-lab.eu/index2.html*

territorial delivery mechanism (TDM). For instance, in Slovenia non-urban CLLD strategies do not overlap between each other but do overlap with SUD strategies.

The overlapping of strategies can be driven by **different managing authorities or different rules for the management of EU funds,** leading to strategies likely to work in parallel. Overlapping ITI and CLLD strategies can also be explained by existing LEADER Local Action Groups (LAGs) already in place when programming new strategies supported by the EU cohesion policy.

Territorial or local strategies can also affect each other when they address completely different territories. Given the high interdependency between places, what happens in one place can have major impacts on the developments in another place. Such interdependencies are clearly visible between urban areas and their rural surroundings, or between places along rivers where the river management in one place affects places downstream the river.

Be careful!

In all these cases, to make best use of scarce public resources (i.e. administrative, human and financial) and to maximise the effectiveness of territorial and local development strategies, coordination is needed.

Depending on the geographical, institutional and governance context, **coordination can take different forms.** It can range from a clear division of labour or demarcation concerning topics or geographies, with informal coordination in place, to deep alignment and integration of objectives, implementation measures or governance processes. In both cases, **demarcation criteria and cooperation arrangements should work hand in hand to ensure coordination** (see Chapter 5, Funding and Finance).

A first move to treat overlapping strategies is to differentiate them by:

- **Spatial demarcation.** Strategies can be used to target more deprived areas or areas with special needs, usually by means of the CLLD tool. This approach has been followed to design a number of CLLD strategies within the ITI strategy for Cornwall and the Isles of Scilly. The specific features of CLLD strategies were clear since the design phase, and this has served coordination in implementing the larger ITI strategy (Van der Zwet et al., 2017).
- **Thematic demarcation.** Another possible solution is to differentiate strategies by theme and type of eligible intervention. For example, in Lithuania ESF-funded CLLD at local level has been considered a complementary instrument for the ITI strategies developed at regional level (county) and it has been proposed for addressing the social dimension of the overall regional ITI strategy.

However, it is important to underline that **demarcation alone does not ensure complementarity.** At the same time, strategies influence each other during implementation. Therefore, a second move is that of **ensuring the coordination of investments by promoting cooperation arrangements,** and even more when selecting projects within each strategy (see Chapter 4, Cross-Sectoral Integration). There are inspiring examples that show how to reinforce complementarities and synergies for achieving coherent objectives.

In Bretagne (France), LEADER/CLLD is used in combination with ITI strategies. Good coordination is possible thanks to the role played by the **single programming committee** (Comité Unique de Programmation, CUP) in each ITI area, which is responsible for mobilising stakeholders along the strategic process and for the

selection of projects, ensuring de facto coordination of strategies under different EU rules and procedures (for more information on this example, see Chapter 2, Territorial Focus).

Be careful!

What needs to be taken into consideration here is that although the suggested solutions can be very effective, they can cause delays in implementation. Although the majority of normative requirements are centrally managed, the multiple time schedules and requirements can be weigh down local authorities, especially for smaller municipalities with less administrative capacity.

One possible solution to promote the integration of CLLD local development strategies in larger strategic frameworks is to provide super-local actors with a leading role in the LAG's partnership. For instance, the Regional Development Agency of the Ljubljana Urban Region (RRA LUR) is responsible for the management of a CLLD strategy. This can also help better combination of CLLD investments with actions supported by the Ljubljana Urban Region (LUR) as well as the SUD strategy in place (for more information on this example, see Chapter 2, Territorial Focus).

In Italy, a strategic combination of SNAI Inner Areas strategies and CLLD strategies can be observed (Servillo, 2019). In most of the cases, SNAI areas are portions of CLLD initiatives, usually funded by EAFRD. **If properly orchestrated, such overlaps can have a positive outcome from a strategic perspective,** because SNAI strategies benefit a smaller area with an integrated approach, and the latter apply to wider areas with a simpler set of supported initiatives.

Learning from practice

ITI STRATEGY 'RESILIENT MADONIE: LABORATORY OF THE FUTURE' AND CLLD STRATEGY 'RESILIENT RURAL COMMUNITIES' (ITALY)

The territory of Madonie, a rural and mountainous area in Sicily, is addressed by two complementary strategies:

- SNAI Inner Area ITI strategy 'Resilient Madonie: Laboratory of the future' covers 21 municipalities and is funded by ERDF, ESF and EAFRD.
- The CLLD strategy 'Resilient Rural Communities' is the reference development plan for a territorial area extended to 34 municipalities, with funding from EAFRD and ERDF.

Interventions in the Madonie area are characterised by a strong strategic orientation drawing on extended experience with integrated territorial development methods, including the LEADER approach.

More specifically, the SNAI strategy process promoted the creation of a new larger union of municipalities that replaced six existing smaller unions, involving all 21 municipalities. The new governance setting allowed for fostering inter-municipal cooperation, overcoming the fragmentation of the decision-making process and gaining visibility towards the regional managing authority. As a tangible result of this, the local school system has been reorganised at the new territorial scale, gaining a central role in the local development process.

Complementarities between the ITI and CLLD strategies were explicitly addressed through a spatial delimitation of the different measures and through a division between the types of interventions. The ITI focused on access to services and soft measures, including energy efficiency, school and education and welfare for the

elderly. The CLLD focused on the upgrade of infrastructure, entrepreneurship and employment for local development.

Coordination tasks are managed by the newly created inter-municipal association with the support of the local development agency and involving the LAG 'Resilient Rural Communities'.

In addition, cooperation dynamics allowed the launch of two R&I projects that participate in the European Innovation Partnership for Agricultural productivity and Sustainability (EIP-AGRI):

- The CIRCE project, promoted by the GAL with EAFRD funding, defines a genetic certification of ancient Sicilian grains. The project cooperation between research institutions and farmers will benefit all players of the local food value chain (e.g. pasta factories, bakers, storage centres and mills and communication companies).
- The DEMO FARM project, funded by ERDF as part of the ITI strategy and developed in cooperation with the LAG, works on the valorisation of local meat production.

For more information

STRAT-Board strategy Fact Sheets:

- CLLD strategy 'Rural resilient communities': *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=IT-CLLD-009&fullscreen=yes*
- Resilient Madonie: laboratory of the future: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=IT-103&fullscreen=yes*

Spaces and procedures for transparent policy dialogue are important when the option of overlapping strategies is explicitly taken by managing authorities since the beginning, but these are even more important when strategies emerge through the negotiation between managing authorities and local actors during the selection of strategies. This is another lesson to be learnt from the two overlapping strategies in Madonie (Italy).

RECOMMENDATIONS

- Apply a pragmatic approach to strategy-making.
  - Take local and territorial development needs and emerging demands as a starting point for discussing the focus of a strategy, and select and prioritise important development issues and problems.
  - Make the strategic development ideas and principles visible, outlining realistic decisions and commitments for implementation.
  - Be pragmatic and realistic, understand strategies as living documents that evolve and change over time.
- Invest in building strategic capacity.
  - Keep informed about opportunities for capacity building and peer-to-peer learning for managing authorities and local bodies on how to support

the strategic dimension of territorial and local strategies, including those offered at EU level like the TAIEX-REGIO PEER2PEER tool.

- Be inspired by good-practice examples, which are offered in particular at EU level, and the range of options that could suit different institutional contexts, objectives and budget allocations.
- Make use of technical assistance, targeting both local strategy owners and managing authorities.
- Managing authorities can offer capacity building for local and regional authorities working on territorial and local strategies.
- Managing authorities or national authorities can offer peer-to-peer learning initiatives for local and regional authorities engaged in territorial and local strategies.

- Test policy innovations since traditional approaches struggle with today's challenges and in delivering impact.
  - Follow a mission-oriented approach when defining the focus and objectives of a strategy.
  - Allow for diverse visions of desirable futures and stimulate proactive thinking by means of spatial imaginary.
  - Explore the possibilities of co-creation tools and techniques, including living labs, to allow for more experimentation and find new approaches to the full valorisation of development potentials.
  - Provide a learning environment and testing-ground for developing and verifying different strategic options. Encourage new ideas and experiments; allow them to fail as long as there are mechanisms to learn from the failure.

- Use the EU Green Deal as a roadmap for change.
  - Take into account higher level policy objectives and see whether it is possible to demonstrate how the territorial or local strategy contributes to them.
  - Plan the transition with the support and guidance of players that are more likely to be affected by the change.
  - Make use of external resources and scientific knowledge. Engage with local universities on clear missions for sustainability.
  - Assess how the territorial and local needs addressed by the strategy are linked to larger EU and global policy agendas, in particular related to the green transition. Access to funding can be conditioned by a more effective demonstration of how the territories' proposed plans or projects are aligned with these agendas.

- Foster complementarities and synergies between overlapping strategies.
  - When preparing a new strategy check for territorially overlapping strategies and how they affect the objectives of the new strategy.
  - Combine regulatory requirements for themes, funds and spatial eligibility with collaborative mechanisms so as to ensure coordination between strategies.
  - Promote coordination between overlapping strategies along the design and implementation of a strategy, especially when selecting projects within each strategy.

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Chapter 2

TERRITORIAL FOCUS

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Challenges and opportunities addressed by territorial and local development strategies across non-urban areas in Europe differ greatly according to places´ environmental, socio-economic, geographical and institutional characteristics. Each challenge and opportunity addressed also has its own geography (TA 2030, 2020), and it often does not match the geographical jurisdiction of decision making. Examples of this include risks linked to flooding or regional transport flows. In both cases, decisions taken in neighbouring areas are essential for addressing the issue at hand. Other examples concern the provision of education and training services, particularly in rural areas, which can require new forms of co-operation and resource sharing between schools located in different places.

In short, a key aspect for policy makers responsible for territorial and local development strategies is to identify a consistent territory for policy action, defining the spatial scale and the specific area that are more suitable for achieving the objectives set in the policy agenda.

As such, **defining an appropriate territorial focus for a strategy is essential,** also because if it does not fit the challenges and opportunities to be addressed, the successful implementation of the strategy will be jeopardised.

The definition of a territorial focus, however, is not always straightforward. **Often it involves both bottom-up and top-down processes and is a long iterative process** informed by (a) discussions about the objectives of the strategy, (b) evidence-based analysis of the current situation, and (c) the composition of the partnership responsible for the strategy, including the involvement of the local community. It also raises questions concerning the critical mass, i.e. how big or small the area covered should be in order to best address the objective of the strategy and how broad or limited the partnership for the strategy should be.

Moreover, the variety of administrative traditions in Europe – ranging from strongly centralised Member States to decentralised Member States, the size of local and intermediate authorities and their attitude towards cooperation – are additional features that influence the choice of the territorial focus.

EU Regulations give freedom to shape the area of territorial and local development strategies, and consequently any non-urban territories below the programme level can be eligible, ranging from areas with geographical specificities like mountainous areas, islands, coastal areas and sparsely populated areas to rural areas and regions, broadly defined.

More specifically, **EU Regulations encourage territorial integration beyond administrative boundaries towards efficient forms of service delivery, public goods management or public administration functions.** Territorial integration is then a process that aims to shape a consistent territorial entity for strategy making (Doucet, Böhme and Zaucha, 2014). It can take place at various geographical and spatial levels, like in the case of a joint territorial strategy developed by a group of adjacent municipalities, a macro-regional strategy or a cooperation initiative between a network of small towns and villages, among many possible examples. Territorial integration is often based on the idea of **bringing together several territorial administrative units that are functionally linked into so called functional areas.** A functional area describes a space that encompasses coherently interdependences among places (OECD, 2020), whether applied to a region, sub-region, or to small areas.

This chapter identifies three main challenges in the territorial focus definition and offers pathways and examples to confront them.

The first challenge focuses on **strategies addressing a functional area.** In some cases, a single local authority is not able to address strategic objectives that go beyond its limited administrative boundaries and power. In some others, regions are often too broad to manage strategies based on social and spatial coherence. Given that a functional area does not usually align with an administrative entity, the choice of the territorial focus and the definition of the appropriate strategy area are not trivial operations. This is because such a choice includes **both a technical dimension** (selection of data, methods, expertise, etc.) **and a policy dimension** (depending, among others, on the strategy objectives, the interests at stake and the cooperation mechanisms).

A second challenge is represented by strategies dealing with rural-urban linkages. This is a common feature especially in territories with low or medium degrees of urbanisation and with networks of small and medium-sized cities (HESPI and EUKN, 2015). High levels of interdependency between rural and urban areas often require **strengthening the governing of rural-urban linkages for mutual benefits,** and an appropriate territorial focus is essential for such aim.

In an ever more integrated Europe, territorial and local development strategies do not necessarily stop at national borders. **In many border regions, successful strategies need to be designed beyond national borders** and ensure adherence with territorial and local development strategies in neighbouring countries. In some cases this leads to cross-border strategies. Such strategies represent a specific – but increasingly relevant – case of misalignment between territorial functionalities and administrative boundaries, where current challenges are exacerbated by different language, legal, planning and governance systems.

In this section we address the following challenges:

- *How to apply a functional area approach when implementing territorial and local development strategies.*
- *How to strengthen rural-urban linkages in strategy making.*
- *How to develop cross-border territorial and local development strategies.*

CHALLENGE 1: How to apply a functional area approach

There is no blueprint of how to best delineate or define a strategy's geographical coverage.

Territorial and local development strategies can have very different territorial scopes, sizes and ways to define them – each of them fitting their own needs. Territorial and local development strategies in non-urban areas can, for example, cover a whole territorial administrative unit (e.g. a town in a rural region), administrative regions or functional territories that go beyond administrative borders.

Already in the 2014–2020 programming period, territorial and local development strategies defined their territorial focus and in most cases this operation did not follow the administrative borders, but took a more functional approach.

STRAT-Board data show that in 2014–2020 **functional territories – expanding beyond a single municipality – represent the territorial focus of 61% of territorial and local development strategies.** More precisely, 93% of Integrated Territorial Investment (ITI) strategies and 77% of Community-led Local Development (CLLD) strategies extend over more than one municipality.[38] ITI strategies target both administrative regions and functional territories on equal terms, while CLLD strategies have a much stronger focus on functional territories outside any administrative classification. For CLLD, this can be largely explained by regulatory requirements, in particular those on population limits. On the contrary, when strategies are meant to cover an entire administrative region, which are frequently very large, they are more likely implemented by means of ITI. As a matter of fact, when looking at smaller strategy areas, STRAT-Board data shows that both options have been chosen.

Learning from data

The functional area approach to delineate a CLLD or ITI strategy is further emphasised in the 2021–2027 programming period as a way to strengthen territorial integration. In fact, **a functional area approach in non-urban areas could be of high value** for tackling challenges at a more appropriate territorial scale (ESPON, 2021), contributing to:

- improving **spatially-sensitive policy-making** (based on spatial phenomena and spatial objectives) rather than strategies limited by administrative constraints;
- identifying **interdependencies** within an area and customising service provisions accordingly and in general having more effective public management;
- valorising the existing functional relations and spatial **complementarities** and pursuing synergies;
- delineating coherent boundaries of the strategy area and reaching the adequate **critical mass** for an effective policy initiative;
- enhancing **strategic capacity** by promoting a more complex reading of opportunities and taking into account environmental and social dimensions of development besides economic growth;

38 STRAT-Board analysis uses the Local Administrative Unit (LAU) as a proxy for municipality.

- **overcoming local inefficiency** and targeting funding in a more effective manner;
- creating the right frameworks for **multi-level governance** approaches and enhancing territorial cooperation.

Additional resouce

CEMAT (2017) FUNCTIONAL AREAS IN MEMBER STATES OF THE COUNCIL OF EUROPE

According to the study, functional areas address the co-existence of functional relationships, cooperation mechanisms for achieving common goals (solving common problems or capitalizing on local potential) and have a governance system in place.

The study includes those functional areas that do not cluster around urban centres.

Functional areas can be delineated according to one or more defining criteria, e.g.:

- social criteria;
- economic criteria;
- geographical criteria;
- heritage and landscape criteria;
- complex functional areas that combine most of the other criteria.

The study reports a wide variety of types of functional areas (around 20), at different territorial levels and six good practice case studies illustrate how the different criteria have been applied in practice.

By looking at functional areas from the angle of cooperation and strategic frameworks, specific functional areas are identified, including:

- Functional areas established for the development of local potential, like touristic areas or industrial clusters;
- Functional areas established for restructuring and developing new functions, like areas under industrial reconversion or innovation hubs.

Territories where latent potential exists, would need a proactive attitude from national and/or regional policies in order to become functional areas.

For more information

Council of Europe Conference of Ministers Responsible for Spatial Planning (CEMAT), *Functional Areas in Member States of the Council of Europe, Preparatory Study for the 17th Session of the Council of Europe Conference of Ministers Responsible for Spatial Planning,* Revised Version, 2017. Available at: *https://archive.ectp-ceu.eu/ectp-ceu.eu/images/stories/PDF-docs/cemat/CEMAT%20Romania_%20rfeport%20EN_rev%2001%202018.pdf*

Learning from data

The choice of applying a functional area approach instead of following the perimeter of administrative units can also have consequences for investment themes.

According to STRAT-Board, in the 2014–2020 programming period CLLD and ITI strategies focusing on functional territories most frequently addressed investments under TO9 (social inclusion), TO6 (environment protection and resource efficiency), TO5 (climate change and risk protection) and TO2 (information and communication technologies). For strategies focusing on administrative regions, the most recurrent investment themes are TO3 (competitiveness of small and medium-

sized enterprises, SMEs), TO8 (employment), TO10 (education and training) and TO7 (sustainable transport). These differences also reflect jurisdiction boundaries, being for example education and employment policy areas usually managed by territorial administrative bodies. On the contrary, environmental and digital investments can be more easily implemented through projects under the direct responsibility of municipalities, or a freely associated grouping of municipalities.

In terms of spatial legitimacy, while formal (supra-local) administrative institutions do not need to question their boundaries and have a stronger authoritative capacity to interact with local actors, the institutional and administrative design of functional areas can be more complicated.

Be careful!

Different roles of upper-level authorities and local strategy owners

Often, the identification of the strategy area involves a mix of top-down processes, where upper-level authorities propose a geography, and bottom-up processes, where the local strategy owners (e.g. local authorities, public-private partnerships, third sector organisations, etc.) define the strategy area suiting their needs and competences:

- **Upper-level authorities may produce a set of context-based indicators that support the definition of functional areas for policy initiatives.** These could be available in the form of maps and charts to inform a local debate. Debating and upgrading this information becomes a relevant part of the process of trust-building between citizens and their local authorities, and with the external public authority (Barca, 2019). It appears that especially in the context of ITI strategies, due to the fact that they do not necessarily require the involvement of local communities in the development of the strategy, proposals of upper-level authorities play a crucial role.
- **Local strategy owners may use their insights, tacit knowledge and cooperation experience to define suitable functional areas.** This needs-based approach can capture much more granular and tacit information that is not available in any form of statistical analysis. Often such knowledge is essential for the successful cooperation on the development and implementation of strategy. For example, in the context of CLLD strategies, it is the Local Action Groups (LAG) that basically define the strategy territorial coverage. In general, it appears that the bottom-up approach is more prominent in CLLD than in ITI strategies.

The definition of a territorial focus is not free of conflicts, especially when it does not follow administrative boundaries and also considering that territories left outside have no direct access to funding resources. In these cases, **it helps if one of the stakeholders involved or a third party can facilitate the process and moderate between different interests.** If these are merely diverging interests between local partners, even a higher level authority can act to facilitate. This was the case of the Italian National Technical Committee in support of the National Strategy for Inner Areas (SNAI). Originally, it was both a producer of knowledge and methods (together with research centres) and an operational body undertaking missions to the selected areas and providing technical support to local communities in designing their strategies. Over time, the committee became a sort of

Be careful!

facilitator/mediator between the centre and the territories for the resolution of a series of local problems, among which the identification of the boundaries of selected strategy areas. To some extent, this also underlines the importance of data to support an evidence-based definition of the intervention areas of strategies.

Both top-down and bottom-up processes for defining the area of a strategy are usually driven by a mix of data-driven inputs and partnership-driven approaches.

Data-driven support for defining functional areas

Unlike high-density urban or metropolitan areas, where the definition of functional urban areas is to a large extent governed by the gravitational influence of the main urban centre, **functional relations in larger regions and rural areas are usually based on multiple networks** that may vary considerably (ESPON, 2014). This makes it even more difficult to delimitate the strategy area.

Spatial analysis can help to define a functional area based on available data on the topic of the strategy. Although the approaches often may sound very abstract and difficult to apply, in many cases a rough analysis of relevant information available on the area can already be of help.

Among the **multiple criteria and methods for identifying functional interdependencies** (Eurostat, 2020; OECD, 2020), some of them seem more relevant when developing territorial and local development strategies, either because they are more frequent or because they are more challenging for their application in non-urban areas. In the following paragraphs three of these criteria are briefly described.

A first and most frequent way to define functional areas is based on commuting patterns: Often functional areas are seen as commuter catchment areas. However, the definition of a functional area based on commuting patterns in rural areas and territories with smaller urban settlements and high variability of interactions cannot rely simply on flows gravitating to a core city. **It may require the identification of networks of nodes using a more complex functional-spatial perspective** (Sýkora, Mulíček, 2017). In this case, the Labour Market Area (LMA) methodology (Eurostat, 2020) is a valid option.

The Joint Research Centre (JRC) is presently exploring the possibility of defining such regions as Functional Rural Areas (FRAs) in polycentric territories with low degrees of urbanisation as part of the scientific activities that will support the EU Rural Observatory. At the same time, in many cases local authorities have rather good tacit knowledge on commuting patterns in their area, which allows for developing a first mind-map that may serve as a first step.

FROM LABOUR MARKET AREAS TO FUNCTIONAL RURAL AREAS

In cooperation with Member States, Eurostat is developing a harmonised dataset for Labour Market Areas (LMA) that will incorporate different types of territories (including the cross-border ones). The Eurostat statistical working paper 'European Harmonised Labour Market Areas – methodology on functional geographies with potential' (Eurostat, 2020) collects interesting ways of overcoming a series of methodological problems. It sets the ground for the LMA application to national and EU territorial policies, focusing on key aspects such as legal and policy frameworks, methodological harmonisation, challenges and links to other functional geographies and territorial classifications. Among others, the publication can help to define FRAs or LMA in rural areas. In 2018–2019 Eurostat tested several approaches for its classification that can be inspirational for further application. Extending this concept to non-urban areas can help design spatially better-targeted policies.

On the same line, the report 'Delineating Functional Areas for all Territories' (OECD, 2020) provides a comprehensive review of existing approaches to delineate functional areas across countries' entire national territory, including non-urban areas. The report discusses the most important challenges and the methodological aspects of defining functional areas based on travel-to-work commuting flows or novel sources of data. It also offers a set of methodological guidelines that are applied in five OECD countries, demonstrating the feasibility of delineating functional areas across diverse types of geographies in a consistent manner.

For more information

Eurostat Labour Market Areas official website:
https://ec.europa.eu/eurostat/cros/content/labour-market-areas_en

Eurostat, *European harmonised Labour Market Areas — Methodology on functional geographies with potential,* Working paper, Luxembourg, 2020. Available at:
https://ec.europa.eu/eurostat/web/products-statistical-working-papers/-/ks-tc-20-002

Organisation for Economic Cooperation and Development (OECD), *Delineating Functional Areas in All Territories,* OECD Publishing, 2020. Available at: *https://www.oecd.org/publications/delineating-functional-areas-in-all-territories-07970966-en.htm*

Additional resouce

Another way to identify the functional dimension in non-urban territories can be access to services, e.g. schools, health care, social services, public administration, cultural institutions, but also shops or restaurants. This may concern the actual access e.g. in terms of actual time needed to get to the place of service provision, the quality of the services provided, or the perceived accessibility of the services. This approach must take into account that rural areas and small towns within a functional region depend on one another for a wide set of services of general interest. Moreover, in rural areas where there are mostly small urban settlements, synergies among services offered by the small urban settlements and demographic patterns play a key role in functional definition. This approach has for example served the definition of the territorial focus of the SNAI in Italy, which identifies eligible territories on the basis of distance from essential services (local public transport, education, social and healthcare services, of medium performance level) instead of distance from main urban centres (Barca, Casavola and Lucatelli, 2014).

Strategies can also define functional areas **building on the presence of common assets for the development of local potential,** like in touristic areas or industrial clusters, **or on common issues and challenges** that need developing new functions, like in areas under industrial restructuring or areas suffering depopulation. An interesting example is the ITI strategy of Castilla-La Mancha (Spain), which targets its territorial focus on the areas of the region with the greatest problems of depopulation and socio-economic decline. It was based on a detailed zoning exercise that classified rural territories in clusters of areas with similar levels of socio-economic development and quality of public services (ENRD, 2022).

When policy aims at linking development needs with territorial potentials, **the definition of a homogenous areas for policy action usually requires the combination of different criteria for delimitating it** (e.g. travel time to regional centres, access to services, economic performance, etc.).

In many cases, physical proximity is a key characteristic of the definition of functional areas. However, there are also exceptions, as in the case of the Egnatia Road ITI strategy in Greece. The strategy develops a new functional area and builds critical mass by focusing on a network of cultural resources (ancient Greek theatres) and the provision of tourist services located along the trace of the ancient Egnatia road. The strategy area connects assets that are not close in space but are conceived as components of a more sustainable value chain, where heritage protection is combined with tourism thanks to this renewed spatially defined identity.

Learning from practice

EGNATIA ODOS CULTURAL ROUTE INTEGRATED TERRITORIAL INVESTMENT (GREECE)

The ITI strategy addresses the Greek region Anatoliki Makedonia-Thraki (East Macedonia-Thrace), classified as a less developed region. The strategy focuses on the creation of a network of cultural-natural resources along the 'Via Egnatia', an ancient road scattered with historical artefacts dating back to the Roman times.

The spatial narrative of the strategy rests on four conceptual and spatially-defined elements: poles, hubs, axes and routes. The poles are broad areas that include monuments and cultural or tourist infrastructures in a geographical concentration. The hubs are the starting point for tourist movement in the network (primary and secondary hubs of Egnatia Motorway, regional airports and ports). The axes connect hubs and poles and take two forms: the functional axes, which are essentially the transport networks, and the conceptual axes, which define the larger strategy area.

The ITI strategy area is spatially delimitated within municipal units crossed by the 'Via Egnatia', while interventions are more targeted.

For the strategy design, a consultation process was set up for the delimitation of the strategy area, the definition of the projects in the different intervention areas and their prioritisation. The consultation process lasted about 17 months, involved a wide set of stakeholders and included on-line consultations, a workshop, questionnaires, focus groups and deep-assessment by experts on the collected proposals. The renovation and reconnection of these archaeological and natural sites is expected to be a leverage for growth in the whole region. To achieve this goal, the strategy has been linked to superordinate tourism plans, involving national and regional authorities in the construction and recognition of the new cluster.

For more information

Egnatia Odos Cultural Route: 'Via Egnatia' website:
https://diazoma.gr/en/cultural-routes/cultural-route-of-egnatia-road/

STRAT-Board fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=EL-044&fullscreen=yes

Partnership-driven support for defining functional areas

The definition of a functional area is more than just a technical exercise scrutinising data. In many cases the partnership dimension is essential. The partners of the strategy bring tacit knowledge on the spatial interdependencies, local development needs and potential, as well as on the prospects of smooth collaboration on a strategy. In the case of CLLD strategies, the LAGs are the main drivers for the definition of the territorial focus based on their views of the area's functional interdependencies.

When defining the area of a strategy, one also needs to consider **what partners are required to successfully address the topic of the strategy,** as well as possible governance issues (see Chapter 3, Governance). This is fundamental for the definition of the strategy area and to operationalise the policy agenda.

Learning from practice

LOCAL GOVERNMENT CONTRACTS IN WESTERN POMERANIA (POLAND)

The Local Government Contract is a negotiating tool for planning and implementing integrated projects for the development of a given area, as defined by a voluntary agreement among a group of local governments.

In the Polish Province of Western Pomerania (Poland), six Local Government Contracts were initiated in 2013 to foster economic development in territories with population decline. Projects are supported by the Regional Operational Programme of the West Pomeranian Voivodeship 2014–2020.

The area of implementation of the Local Government Contract is selected on the basis of a diagnosis of the socio-economic situation in the area, including the existence of common potentials and functional links, as well as a common development goal.

Strengthening inter-municipal cooperation was seen as instrumental for establishing integrated multi-sectoral strategic planning, leading to several initiatives with different geographical extents (from 3 to 60 municipalities) and types of thematic foci (e.g. infrastructure investments, entrepreneurship, social economy).

Regional authorities act as facilitators for the emergence of inter-municipal collaborations.Local Government Contracts have offered an opportunity for local governments to take up challenges whose scale extends beyond the boundaries of a commune or district.

Another key element of the Contracts is the bundling of projects: of infrastructural projects (related to the development of investment areas or ensuring better public transport) with those focused on improving the quality of human capital in relation to the needs of the West Pomeranian labour market.

This has also encouraged co-ordination of activities with the regional government in charge of sectoral policies and with other partners in the contract areas including entrepreneurs, LAGs, Local Fishery Groups, NGOs, business environment institutions, and so on.

Such a partnership approach has been developed in Pomerania with an eye on the long term (for continuation after the cessation of external financing), the partnership being based on a joint identification of development opportunities and on prioritizing actions for the removal of barriers.

In the 2021–2027 programming period, foresees transforming the contracts into ITI strategies with the objective of simplifying co-funding arrangements.

For more information

Geblewicz, O., 'Subsidiarity in the service of regional policy: The perspective from Poland's West Pomerania region', *European View* 18, No 1, Apr 01, 2019, pp. 52-61. Available at: *https://journals.sagepub.com/doi/full/10.1177/1781685819847632*

Be careful!

Partnerships can be built on long-term relations. In the case of the regional ITI strategies in Bretagne (France) the partnership is based on already existing cooperation entities. However, **partnerships can also evolve further or start from scratch, either based on bottom-up initiatives or pushed from top-down.** In cases where the role of the central government is very strong, new partnerships prompted by EU territorial tools can support administrative decentralisation and regionalisation reforms for the transfer of competencies from the central government to inter-municipal communities.

Partnerships among actors sharing functional relations do not emerge naturally. Non-urban functional areas are often less institutionalised and there are rarely consolidated governance arrangements for policy initiatives among local authorities, and between local authorities and the territorial upper level (i.e. the province, county, or region). Cooperation may be complicated by several factors, such as differences in power and visibility among stakeholders; internal institutional capacity to handle territorial cooperation; difficulties in recognising the interdependencies that call for a joint action; rivalries and political differences. Cooperation is not easy and requires trust, negotiation and compromises to reach agreements and clear and transparent rules – but it is key to setting up and implementing functional area development strategies.

To address this point, **major efforts to foster institutional dialogues are required.** Managing Authorities can support the development of new partnership configurations (e.g. the LAG spatial pertinence or the ITI strategy area) to become strongly embedded in a group of stakeholders' policy action and to be recognised by a collective community. Facilitation of wider engagement of citizens, within and outside the strategy area, are key to lowering the risk of creating an artificial space that is significant only for direct beneficiaries of the policy.

A strategy built on a functional area approach may even need **a dedicated implementing body** with specific competences. This is less of an issue for CLLD strategies, as their LAGs are in charge of the coordination of the partnership. In many areas, LAGs have several decades of experience and excessive know-how in their areas, including on development and decision-making dynamics. This knowledge

and the insights of regional or rural development networks should be harvested when defining a strategy's territorial focus.

Geographically larger strategies or strategies without a partnership legacy often face more challenges concerning a partnership-driven definition of the strategic focus. This is also reflected in the coordination responsibilities for the entity in charge of governing integrated strategies.

Be careful!

A good example of a large territorial strategy that has reflected on this issue is the ITI strategy for the province of Limburg in Belgium. The ITI strategy contributes to a larger Strategic Action Plan for the economic reconversion of Limburg (SALK) that was developed as a reaction to the closure of a major factory in the region in 2012 and the underlying structural challenges. Both strategies are based on a broad coalition of interest groups and institutions. The ITI steering group has the same membership as the SALK taskforce that oversees the implementation of the whole strategy, strengthening strategy coordination and coherence (Van der Zwet et al., 2017).

Soft territorial cooperation approaches may offer another entrance to establishing partnerships and shaping strategy areas beyond administrative boundaries. These approaches are often less rigid and formalistic than the previously described functional area approaches since they are based on common interests and policy objectives. They must be intended as complementary to other existing and more institutionalised collaborations.

Cooperation territories or a strategy's territorial focus may emerge and disappear as framework conditions and goals evolve. Furthermore, multiple cooperation territories may co-exist, with overlaps when necessary – each following a geographic logic that is adapted to the issues it addresses. This does not necessarily mean that the geographic perimeter is flexible, but rather that its definition is based on a process-oriented approach. In fact, fully flexible cooperation geographies can be highly time-consuming and can impede community-building and the development of a long-lasting cooperation culture (ESPON, 2017).

In this regard, it is useful, especially when strategies address larger territories, to distinguish between the strategy area that relates to the scope and scale of the overall strategic objectives and intervention areas, referring to the spatial location of projects. Thus, **different intervention areas can be developed and revised over time within more stable strategy boundaries** and within the timeframe of the programming period.

Additional resouce

ESPON, ACTAREA - THINKING AND PLANNING IN AREAS OF TERRITORIAL COOPERATION (2017)

The ACTAREA project addresses new forms of cooperation areas based on a functional approach or political initiative and aimed at polycentric and balanced territorial development, i.e. soft territorial cooperation areas.

Soft territorial cooperation areas bring together actors concerned by a set of territorial challenges and opportunities and who are willing to elaborate and implement strategies to address them jointly. Soft territorial cooperation initiatives seek to capitalise on the convergence of interests, typically by identifying potential win-win situations.

Participants seek to identify common perceptions, interests and objectives, and agree on strategic development options, which are the starting point to progressively strengthening the partnership.

The project maps and compares 13 examples of soft territorial cooperation across Europe, collected in a European Atlas of Soft Territorial Cooperation.

In addition, the ESPON ACTAREA Handbook gives practical advice on how to develop soft territorial cooperation and discusses the main elements of cooperation. The text is supported by illustrations and additional text boxes that include practical tips for soft territorial cooperation practitioners.

Two tools – mapshots and institutional maps – are described to guide and inform soft forms of territorial cooperation.

Mapshots help define the spatial focus of soft territorial cooperation areas. They can include geographic features and patterns and trends of relevance for observed or potential cooperation dynamics. Mapshots can hence be both the input and/or outcome of a dialogue process as they trigger debates on cooperation objectives.

For more information

ESPON ACTAREA - Thinking and Planning in Areas of Territorial Cooperation: *https://www.espon.eu/actarea*

ESPON ACTAREA Handbook: *https://www.espon.eu/sites/default/files/attachments/ESPON%20ACTAREA_handbook_180120.pdf*

CHALLENGE 2: How to strengthen rural-urban linkages in strategy making

Functional relations between rural and urban areas have changed substantially in recent decades. Improvements in transport and communications technologies, as well as changes in land use, are only some of the many factors that blur the line between rural and urban.

Today, both cities and rural areas include urban and rural elements, even if present in different proportions and characterised by different densities, settlement patterns and economic activities (OECD, 2013). While on the one hand differences between urban and rural areas are getting increasingly fuzzy, on the other hand development prospects are often extremely different. While many rural areas face demographic and economic decline, main urban areas are attractive growth poles with substantial administrative and financial capacities. The COVID-19 pandemic has changed this only marginally (CoR et al., 2021).

The interdependencies between rural and urban areas have increased and grown stronger. This is a global phenomenon, but it is even more evident for the European context, which is characterised by a polycentric structure of large and medium-sized cities and towns and villages (HESPI and EUKN, 2015). Therefore, it is necessary to better understand related dynamics, e.g. demographic flows, labour market flows, public service provision, mobility, environmental and cultural services, leisure assets.

On a policy side, a clear understanding of this intertwining favours more strategic uses of available resources, and can be extremely relevant for the definition of the territorial focus in order to **better exploit potential complementarities.**

The reinforcement of rural-urban linkages and the creation of strong, mutually supportive cooperation between rural and urban areas, are key to realising smart, circular and inclusive development (TA, 2030). **Rural-urban linkages are key for most territorial or local strategies in non-urban areas.** In some cases, their development is highly influenced by urban areas in close proximity and thus the strategy needs to relate to this. In other cases, the territory of the strategy can comprise both rural and urban areas.

The analysis of 2014–2020 territorial and local development strategies indicates that they most frequently target mixed urban-rural areas. These include a wide range of spatial arrangements that go from urbanised regions, like those covered by territorial strategies in Belgium, to aggregations of municipalities around medium-size cities, like in the case of local development strategies in Podlaskie Voivodeship and Kujawsko-Pomorskie Voivodeships (Poland), to more rural territories addressed for example by many Swedish and Portuguese strategies. In addition, strategies indicating rural-urban linkages as a main policy theme cover all types of territorial foci, without significant correlations with the three main categories of the degree of urbanisation (DEGURBA) (densely, intermediate and thinly populated areas), nor the share of urban and rural population living within the strategy boundaries.

Learning from data

Single and multi-purpose rural-urban partnerships

One tool to govern rural-urban linkages towards better cooperation are rural-urban partnerships, which have been advocated already for some decades, but are nonetheless still relevant.

OECD (2013) RURAL-URBAN PARTNERSHIPS: AN INTEGRATED APPROACH TO ECONOMIC DEVELOPMENT

Urban and rural areas enjoy different and often complementary assets, and better integration between them is important for socio-economic performance.

In a report on rural-urban partnership, the OECD provides a framework to understand the changing relationships between urban and rural areas. It explores the concept of rural-urban partnerships and illustrates their characteristics and the factors that can hinder, as well as enable, rural-urban co-operation. Different governance approaches to manage rural-urban relationships are identified and discussed. Finally, recommendations are provided to help national, regional, and local policy makers to build effective and sustainable rural-urban partnerships for better economic development.

The report highlights the importance of tailoring a functional area to address rural-urban partnership and agrees on the idea that the shape of the territory depends on the policy objectives. Based on observation of case study analysis, the report proposes seven purposes that can shape the geography of rural-urban partnerships: (a) territorial promotion, (b) supply chain, (c) management of water

Additional resouce

resources, (d) improvement of transport networks, (e) land use management, (f) provision of health service and (g) environmental protection.

For more information

Organisation for Economic Cooperation and Development (OECD), Rural-Urban Partnerships: An Integrated Approach to Economic Development, OECD Publishing, 2013. Available at: *https://www.oecd.org/publications/rural-urban-partnerships-9789264204812-en.htm*

Be careful!

Territorial strategies can strengthen rural-urban linkages either via single-purpose or multiple-purpose partnerships, depending on the number of issues that are at stake:

- **Single-purpose partnerships** follow a sectoral approach, which allows for efficiency and clarity in funds' management and monitoring, but can be hampered by lack of synergies.
- **Multiple-purpose partnerships** can support a wider range of investments, but requires more efforts in stakeholders' involvement and more time and capacity to thoroughly implement its strategic objectives.

Rural-urban partnerships are not easy and often require a lot of dialogue to find win-win situations. Regardless of the format (single or multiple-purposes), rural-urban partnerships need to ensure that the criteria for good governance are applied. **There needs to be a level playing field, where rural and urban representatives meet as equal partners.**

From a pragmatic perspective, **a single-purpose approach can be a first step to building trust and the capacity needed for more complex rural-urban partnerships.** For example, the training of local agents is a frequent and rather generic measure for LEADER (Liaison Entre Actions de Développement de l'Économie Rurale/Links between activities for the development of rural economy)/CLLD strategies for the promotion of rural economies. These kinds of activities could be more strategically used in the scope of strengthening rural-urban linkages, e.g. by focusing on the development of those skills needed to play a role in the knowledge economy, which is usually related to the urban realm. In the case of the Lithuanian CLLD strategy for the settlement of Biržai, investments limited to TO8 (Sustainable and quality employment) - funded by the European Social Fund (ESF) - have offered a combined range of support mechanisms to newly established businesses in the field of social innovation services, including group coaching, formal training sessions and individual mentoring. This is a good example of how to work towards better urban-rural integration by focusing on a very specific goal.

The sub-regional ITI strategies in Bretagne represent a very interesting example of complex and integrated cooperation in rural-urban territories. The region is structured around two small metropolises and 15 medium-sized cities and thus is not identified simply as rural or urban, but pushed for the set-up of rural-urban multi-purpose partnerships. The inclusive nature of the partnerships allowed the emergence of novel themes, which could receive financial support from more varied EU funds.

Learning from practice

TERRITORIAL ITI STRATEGIES IN BRETAGNE (FRANCE)

In 2014–2020 the Bretagne region decided to use the ITI tool for the distribution of European Regional Development Fund (ERDF) funds by means of territorial strategies for each area, called Pays, covering its whole territory. This was a unique case in France. The Pays represents an administrative level in between the scale of the department and that of the agglomeration. The 21 Pays in Bretagne have an average of 140 000 inhabitants each, from the 41 000 of Pays des Vallons de Vilaine, to around 400 000 for those ones including the two main cities of Brest and Rennes.

Earlier, the Pays had already signed a pact for development ratified at regional level. By 2014 these pacts had to be updated, so the region decided to use them for the selection of ITI strategies. The pacts also served for the selection of LEADER/CLLD initiatives as well as for the distribution of other domestic and EU regional funds.

A Comité Unique de Programmation (CUP) in each Pays oversees the strategic coordination. It is composed by a number of political representatives, members of the Development Council (composed by representatives of the private sector), and institutional representatives holding an advisory function. The CUP is also in charge of mobilising stakeholders and of the selection of projects.

For ITI strategies, the available ERDF Thematic Objectives (TOs) are selected at regional level, with the aim of developing balanced and innovative policies able to address both urban and rural areas. Each Pays is then able to choose among these TOs to draft the strategy, involving a voluntary process of participation and inclusion in its construction.

The dialogue among administration at local level during the phases of strategy drafting proved very fruitful: the Pays showed interest and commitment in communicating and building the strategy. The selected projects have been able to address, in many cases, the important issues emerging in the territories. Moreover, the integration at thematic level, between rural and urban, of related policies produced interesting and innovative interventions – for instance, the experimentation of social housing in rural areas.

On the other hand, the decision to have a unique selection of projects for all the funds caused some delays in the delivery of funds: although most normative requirements were managed at regional level, the multiple time schedules and requirements appeared burdensome to local authorities. These difficulties in administrative and technical management have been more evident in those Pays formed by smaller municipalities, while the presence of a more skilled urban core leading the process was considered an advantage.

For more information

STRAT-Board country fact-sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=FR&name=France&fullscreen=yes*

Rural-urban partnerships are shaped by the partners' administrative, legal and financial capacities. These can differ substantially as in most cases larger urban areas have more staff and financial resources than small towns or rural municipalities. In many cases, small urban and rural areas have only limited capacities and knowledge to address the challenges and engage in complex governance and cooperation arrangements. Building up and maintaining these capacities requires local action as well as support from national or European initiatives, including Managing Authorities of EU programmes (CoR et al., 2022).

Main themes for win-win solutions

Possible topics for rural-urban partnerships are manifold. They range from issues such as economic development, provision of services of general interest, recreation, food systems, energy transition, zero-net emission, zero-net land take, biodiversity, eco-system services to climate change, etc. The breadth of possible topics illustrates the high level of mutual interdependencies between rural and urban areas. For sustainable territorial and local development, rural and urban areas are equally important as one cannot make it without the other.

This point is well illustrated looking at what policy actions can be put in place by territorial and local development strategies in the field of economic development, service provision and natural resources management.

Be careful!

When implementing territorial strategies for economic development, tensions between urban and rural areas can easily emerge. On the one hand, the urban dimension is a key focus point for knowledge production, particularly taking into consideration how economies of scale can be achieved. On the other hand, investments in urban centres can even accelerate the disconnection from local economic activities in the larger region.

As a possible way forward, **territorial strategies can foster better collaboration among economic actors** by reinforcing e.g. (a) supply chains (such as the agro-industry); (b) knowledge exchanges between SMEs and research centres; and/or (c) territorial promotion and branding. Particularly relevant are investments that focus on promoting stronger connections between local agents, companies, scientific and technological organisations, business associations, municipalities and inter-municipal communities, like in the recent EXP@NDIR programme for the valorisation of the Interior of Portugal (2020).

Territorial strategies for service provision can provide **the opportunity for urban and rural municipalities to discuss and prioritise strategic investments taking into consideration the larger region,** especially in times of welfare reform and decentralisation processes. Looking again at the Portuguese case, inter-municipal ITI strategies in the Centro region have contributed to the creation of one single platform to deliver digital services to citizens for each of the eight inter-municipal communities. In this way, rural settlements can benefit from centralised management, avoiding an additional technical and administrative burden.

Learning from practice

CLLD STRATEGIES IN THE LJUBLJANA URBAN REGION (SLOVENIA)

In 2014-2020, Slovenia has implemented a common CLLD approach, which covers three EU funds, i.e. ERDF, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), and the entire country.

CLLD strategies also address more densely populated areas like the Ljubljana Urban Region (LUR), which includes the capital city of Ljubljana and other 25 municipalities in central Slovenia, with a total population of more than 500 000 inhabitants. The whole LUR is covered by several multi-fund CLLD strategies. A strong cooperation between rural and urban areas has become an emerging priority in the region. This is well reflected in the CLLD strategies developed by two LAGs, i.e. the LAG 'For the City and the Village' and LAG 'Coexistence between urban and rural areas'.

The LAG 'For the City and the Village' operates in six municipalities that are located in close proximity to Ljubljana and had no previous experience with LEADER as this measure was not implemented in the area during the 2007-2013 programming period. Because of this, the management team of the LEADER/CLLD strategy is based within the Regional Development Agency of the Ljubljana Urban Region (RRA LUR), which is responsible for fostering social and economic development in the entire urban region. RRA LUR was chosen among the LAG's partners for its human, financial and administrative capacity. The participation of RRA LUR in the LAG has further promoted the cooperation between urban municipalities and rural municipalities in certain fields, where joint management is regarded as a more efficient solution, e.g. local food supply chains. The creation of new, locally-oriented food businesses is a main objective of the CLLD strategy. At the same time, the promotion of food self-sufficiency in the region and the engagement of relevant stakeholders in local food supply chains is one of the priorities of the regional agency RRA LUR. By putting the small-budget CLLD strategy in the larger framework of RRA LUR, strategic action in the field of food has been strengthened.

The CLLD strategy of the LAG 'Coexistence between urban and rural areas' covers four municipalities, including the municipality of Ljubljana. The strategy area shows specific features, as there are both rural and urban areas. To address this point, the CLLD strategy explicitly differentiates the development needs of rural and urban settlements, and defines individual objectives and measures accordingly.

For more information

LDnet CLLD country profile of Slovenia: *https://ldnet.eu/clld-country-profile-slovenia*

STRAT-Board Strategy Fact Sheets:

- For the city and the village: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=SI-CLLD-003&fullscreen=yes*
- Coexistence between urban and rural areas: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=SI-CLLD-035&fullscreen=yes*

Rural-urban linkages can also easily emerge as a key policy topic for strategies dealing with the management of natural assets, to ensure an efficient and sustainable use and preservation of natural resources and fight against climate change (OECD, 2021). As a matter of fact, **rural-urban, blue and green**

infrastructure networks are often made possible only once new spatial arrangements (e.g. river catchments, green corridors, habitat management, etc.) are addressed as strategic development areas instead of simply being the location for sectoral interventions (ROBUST, 2021). At the same time, this implies the need for a deep understanding of both natural dynamics and their interactions with the socio-economic system, requiring even greater integration of expertise and engagement of relevant stakeholders.

Additional resouce

ROBUST: RURAL-URBAN ECONOMIES OF WELL-BEING (2021)

The H2020 ROBUST project offers extensive knowledge on rural-urban linkages and how synergies between rural and urban areas can be applied in practice, also providing specific policy recommendations.

The ROBUST project stresses the need to build a new approach to regional economy and rural development, which they label 'rural-urban economies of well-being'.

Based on the analysis of governance systems, processes, and practices in 11 different city-regions, the project developed recommendations for improved governance arrangements and better policy frameworks for more effective rural-urban interactions.

Selected key messages of the project concern the importance of:

- multi-locality living, new forms of 'counter-urbanisation' and teleworking;
- infrastructure and services, especially for rural areas;
- new approaches to economy, particularly economies of well-being;
- public procurement to lever change through anchor institutions;
- place-based strategies as a governance mechanism;
- municipalities and regional governance in rural-urban governance and innovation;
- actor constellations that can stimulate rural-urban synergy potentials.

For more information

RURAL URBAN EUROPE website: *https://rural-urban.eu*

O'Connell, V., *Synthesised Policy Recommendations relevant to rural-urban interactions and interdependencies,* ROBUST project, November 2021. Available at: *https://rural-urban.eu/sites/default/files/D6.3%20Rural-Urban%20Policy%20Recommendations.pdf*

CHALLENGE 3: How to develop cross-border territorial and local development strategies

In an ever more integrated EU, increasingly functional areas span across national borders. This is the case for areas shaped by the geography of places (e.g. river basins, mountain ranges, etc.), but also for areas with historic, cultural, and socio-economic features that go beyond national boundaries. Additionally, labour market dynamics can also give rise to **functional geographies that cross national borders** (Eurostat, 2020). Territorial strategies for functional areas spanning across national borders meet a range of additional challenges.

The importance of enduring cross-border cooperation is well expressed by the Territorial Agenda 2030, which advocates for 'action to embed stable cross-border, transnational and interregional cooperation in macro-regional, national, regional and local development strategies' and to 'support the development of new strategic documents, where needed, and the promotion of co-development, involving citizens across borders'.

STRAT-Board data show that in 2014–2020 only a limited number of cross-border ITI and CLLD strategies were implemented. There are five cross-border CLLD strategies that have received support from the EU cohesion policy, four of which are established between Austria and Italy, and one ITI strategy between Italy and Slovenia.

Learning from data

As a matter of fact, **the development of cross-border strategies remains rather experimental.** This experimental feature does not refer only to the territorial focus, but it also encompasses other dimensions of an integrated approach, which makes them very interesting cases.

Even if they have functional relations, cross-border functional areas must cope with administrative, institutional, legislative, cultural and linguistic boundaries, which make it difficult to co-design and implement joint programmes and projects. For example, running a transport service covering a functional area across national – but even regional – borders would be subject to different legislative frameworks and challenged by organisational bottlenecks. The same discourse goes for education and health services, which together with transport are essential services.

When addressing strategy design and implementation, challenges are even bigger. For instance, socio-economic data are usually collected at country level, so that functional interdependencies are mainly understood in relation to urban centres within national borders, putting them under a rural-urban narrative instead of a cross-border one. Moreover, non-urban cross-border areas often lack the institutional thickness and critical mass needed to convey interests around broader strategic visions. Finally, provided that joint territorial visions are developed, a further challenge is how to translate them into concrete objectives and measures.

Territorial cooperation programmes can serve as a first steppingstone to address these challenges. Furthermore, experience from existing cross-border CLLD strategies showcase possible solutions and workarounds. Last but not least, European Groupings of Territorial Cooperation (EGTC) offer possibilities for establishing stable governance structures.

Relevant European territorial cooperation (ETC) tools

There is a wide range of overarching territorial cooperation initiatives, strategies and programmes that can help frame integrated territorial or local strategies in border regions. Among others there are EU macro-regional strategies, Interreg programmes and support programmes such as INTERACT.

Additional resouce

INTERACT

INTERACT, which is financed under the ETC goal of the EU cohesion policy, supports cooperation programmes like Interreg. One of its goals is to improve the cooperation management capacity to implement innovative approaches, including ITI, CLLD and Policy Objective 5 (PO 5).

In 2020, INTERACT started focusing on the concept of territoriality in Interreg, and how it could be used by programmes in the post 2020 period to achieve bigger territorial impacts.

In 2022, INTERACT issued the publication 'Territorial Package', which presents the outcome of the work of INTERACT's informal Focus Group 'Territorial Agenda 2030 and Interreg' in 2021–2022. The publication provides easy-to-read, easy-to-understand and easy-to-apply information and suggestions to Interreg practitioners on how to strengthen the territorial dimension in their programmes and projects. Inspiring examples of projects that embed a territorial perspective are presented under different dimensions that can be easily related to territorial focus, strategic approach and governance (Fiche 3). The publication also offers examples on the use of integrated data to calculate commuting flows and delimitate functional areas, as well as suggestions on how to link a functional area approach to 2021–2027 Policy Objectives (Fiche 4). Finally, recommendations are given both at programme level and at project level on how to strengthen territorial elements across the whole policy cycle (Fiche 6) and more specifically when building partnerships (Fiche 7) and selecting projects (Fiche 8).

For more information

INTERACT website: *https://www.interact-eu.net*

INTERACT – Presentations | Bringing territoriality into Interreg: *https://www.interact-eu.net/library#2854-presentations-bringing-territoriality-interreg*

INTERACT Territorial package: https://www.interact-eu.net/library#3776-publication-territorial-package

The four **EU macro-regional strategies** – for the Baltic Sea Region (EUSBSR), Danube Region (EUSDR), Adriatic and Ionian Region (EUSAIR), Alpine Region (EUSALP) – offer the possibility of framing functional relations and defining place-based development visions consistent with macro-regional ones, favouring a systemic approach. The EU macro-regional strategies act as a bridge between EU and local policy-making, and could more easily support the set-up of cross-border territorial strategies.

In a more concrete way, **Interreg,** i.e. ETC programmes, can lay the foundations for institutionalised, structured and lasting forms of cooperation. Focusing on cross-border integrated strategies and spatial planning, the ESPON ULYSSES[39] project elaborated a practical guide combining cross-border co-operation experience and main findings of policy research (ESPON, 2013).

This is the case of the seven *Zones Organisées d'Accès aux Soins Transfrontaliers* (ZOAST) on the Franco-Belgian border, which are the result of more than 25 years of cross-border cooperation supported by various Interreg projects funded

39 *https://www.espon.eu/programme/projects/espon-2013/targeted-analyses/ulysses-using-applied-research-results-espon*

by the Interreg France-Wallonie-Flanders programme. In these areas, residents of border territories can receive health care on both sides of the border in designated health care institutions without any administrative or financial barriers. ZOAST has become a benchmark for cross-border health care cooperation across Europe. This experience suggests that **sectoral cooperation can also be the ground for developing further functional areas for integrated territorial development strategies.**

Interreg programmes have been longstanding sources of funding for most cross-border cooperation initiatives, fuelling territorial development of European border territories and favouring the establishment of cross-border cooperation networks. However, they mainly follow a problem-solving perspective (Kaucic and Sohn, 2021), often resulting in a set of projects without a clear territorial development perspective. **To get the most out of cross-border cooperation, managing authorities could offer the possibility to operate on a territorial basis,** supporting the use of territorial tools, or with dedicated measures or initiatives.

Be careful!

An interesting experience in applying an integrated territorial approach to Interreg is the ALCOTRA France-Italy cross-border cooperation programme. Several integrated plans were selected through dedicated calls in the 2014–2020 programme. These plans consist of **a common vision and a set of projects that must present a strong territorial or thematic focus.** Two types of integrated plans have been implemented under the Programme: Territorial Integrated Plans (PITER) and Thematic Integrated Plans (PITEM), with an overall budget of 80M€. The PITER are multi-thematic plans consisting of a set of cooperation projects covering different sectors and themes under the frame of a common cross-border strategy. The PITEM are mono-thematic plans consisting of individual cooperation projects addressing only one specific objective of the Programme. Twelve integrated plans (6 PITER and 6 PITEM) have been funded, involving cross-border functional areas in the ALCOTRA eligible territories.

Cross-border coordination arrangements

Although **CLLD and the ITI** are not specifically aimed at cross-border cooperation, they **can well adapt to the variety of functional relations and geographies of cooperation.**

However, to make them operative, appropriate forms of association must be set up, able to develop and represent stable and durable links, access to funding and manage cooperation projects. Outside Interreg, cross-border cooperation initiatives may have a more tortuous and complicated path. Having different programmes, managing authorities, funding and respective rules and timings, makes it difficult to set up cooperation initiatives. This is, unless **the cross-border aspect is properly considered** already in the programming phase.

Indeed, some cross-border areas have successfully used these instruments. Such an example is the cross-border region between Austria and Italy, in which four cross-border LAGs were established, leading to the development of as many CLLD strategies.

As an example, the CLLD strategy Terra Raetica, is interesting because it is articulated in cross-border thematic working groups in which the regional development agencies work together. In this way, the cross-border strategy can be implemented despite it being through a complex institutional arrangement.

Learning from practice

CROSS-BORDER CLLD STRATEGY TERRA RAETICA (ITALY-AUSTRIA)

In 2014–2020 the managing authorities of the cross-border region decided to activate coordinated strategies supported by different funds. However, the national difference between the multiple financial and administrative arrangements in the Italian and Austrian regions needed to the addressed. Framed by the Interreg cooperation programme, the managing authorities opted for a two-layer CLLD structure (mono-fund CLLD approach in Italy and multi-fund CLLD approach in Austria), in which four cross-border LAGs embed several national LAGs.

The cross-border LAGs were defined according to some general rules, as follows:

- no overlaps, i.e. national LAG cannot join two different cross-border strategies;
- maximum of 200.000 people living in the cross-border strategy areas;
- joint management of the LAGs with one lead partner, i.e. one of the national LAGs;
- written agreement between the partners of the cross border strategies.

The Terra Raetica cross-border LAG covers four national LAGs and was elaborated on the basis of the local strategies and the ESPON ULYSSES guidance (ESPON, 2013). The strategy encompasses initiatives dedicated to culture, protection and valorisation of the environment, mobility and tourism through joint management and mutual networking of projects.

The key territorial actors remain the national LAGs that manage the projects according to their specific strategies. Some of them participate in the cross-border LAG, and as a result share a common cross-border strategy and related projects. When local actors get in contact with their local development agencies (one of the national LAGs) with ideas that have a cross-border dimension, they are directed to the cross-border thematic working groups (i.e. Natura Raetica, Cultura Raetica, etc.). There, the project gets further developed until it can be presented to the decision board (INTERREG Rat) of Terra Raetica.

However, the way funds are managed in the implementation of the projects is different in the two countries. In Austria, the managing authority acts with a one-stop-shop approach so that all funds are managed together, including the Interreg cross-border one under ERDF. In Italy, cross-border strategies are managed in in parallel to the national mono-fund LEADER/CLLD strategies.

For more information

Jochum, G., Stampfer C., 'Regionalmanagement Bezirk Landeck – regioL (Austria), and Terra Raetica (cross border cooperation Italy-Austria)', in Servillo, L., CLLD under ERDF/ESF in the EU: A stock-taking of its implementation, Final Report, European Commission, Brussels, December 2017. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/clld-under-erdf-esf-in-the-eu-a-stock-taking-of-its-implementation*

STRAT-Board strategy fact-sheet: *https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/clld_implem/annex3_cbc_at_terra_raetica.pdf*

An alternative and equally innovative approach to cross-border coordination of local development strategies is pursued by the transnational LEADER/CLLD region Miselerland (Luxembourg) and Moselfranken (Germany). The implementation of the joint strategy is based on tight cooperation between two LAGs and a transnational steering group with members from both LAGs. As there is no EU statute for the LAGs under the LEADER programme and each LAG can only apply for funding in the country in which its region is located, the two LAGs Moselfranken and Miselerland remain in place until further notice. The transnational steering group coordinates the cross-border cooperation. The area covered by the strategy also borders with France, and the strategy opens the possibility of also including French partners. In this sense, the strategy is a frontrunner in European integration.

Use of the European Grouping of Territorial Cooperation (EGTC) tool

Relevant for the development of cross-border territorial and local development strategies are those instruments that help establish stable cross-border governance bodies and overcome some of the challenges of a missing institutional framing.

To reinforce the cross-border institutional and political condition, **the EGTC enables entities from two or more Member States to work together** within a common unit with legal personality under European Law. EGTCs are inherently international, and many of them represent functional cross-border areas implementing territorial cooperation programmes financed by the EU cohesion policy. This form of association has proven to facilitate cross-border cooperation in many ways and gives local authorities the possibility of cooperating without the need for setting up specific agreements between countries on each side of the border (Medeiros, 2013).

However, the potential of EGTC is still underdeveloped (EC, 2018). For instance, in many ETC programmes EGTCs are not acknowledged as a partnership institution incorporating two countries, and as a result, they cannot act as sole beneficiary. To address these challenges, **Member States and managing authorities can provide mechanisms to ensure not only the possibility for EGTCs to be sole beneficiaries of single projects, but also of territorial strategies.** An example of this solution is the cross-border ITI strategy implemented in the framework of the Interreg VA Italy-Slovenia, which addresses a functional area across the Slovenian-Italian border and is managed by the EGTC GO as sole beneficiary and intermediate body.

Learning from practice

EGTC GO ITI PROGRAMMING DOCUMENT (ITALY-SLOVENIA)

The 'Interreg VA Italy-Slovenia 2014–2020' Operational Programme used the ITI tool to develop an integrated cross-border strategy for the area comprised within the municipalities of Nova Gorica - Gorizia - Šempeter Vrtojba, which also act as a European Grouping for Territorial Cooperation, the EGTC GO.

The EGTC GO was established through a bottom-up initiative by the three municipalities in 2011 to strategically coordinate policies for the area and overcome the former piecemeal approach. By joining the EGTC, the municipalities are legally organised in an independent cross-border body and can, given the legal personality of the body, directly interact with European institutions and third parties.

In 2014, the representatives of the EGTC GO group, which were present at the task force of the Interreg V Italy Slovenia Programme 2014–2020, proposed merging the EGTC and ITI instruments, giving a significant added value to the Programme. The ITI was designed to support several objectives of the EGTC territorial strategy.

The ITI strategy includes two pilot projects from different priority axes of the INTERREG VA Italy-Slovenia OP:

- The first project 'Cross-border natural park Isonzo-Soca', capitalises on natural assets in the border region through sustainable tourism, environmental protection and green growth, preserving and enhancing the natural and cultural heritage of the cross-border area along the river.
- The second aims to improve the provision and quality of health and social services for the population living in the cross-border in the EGTC area. The project also supports a new IT network, providing the opportunity for a wider range of healthcare services at cross-border level, which proved particularly relevant during the COVID-19 crisis.

In December 2015, the European Commission granted a total funding of EUR 10 million (85 % covered by ERDF and 15 % by national co-financing), expressly assigning to the EGTC GO the role of sole beneficiary with responsibility for the implementation of the ITI. The ITI is managed by the Office for Intermediate Body (OIB), a separate and functional independent Unit of the EGTC GO/EZTS GO. The EGTC can act with competence on the territory of both Member States to implement joint projects, which is an innovative feature brought in by the ITI strategy.

For more information

EGTC GO website: *https://euro-go.eu/en*

OECD-OPSI fiche: *https://oecd-opsi.org/innovations/egtc-go*

European Committee of the Regions (CoR), *European Groupings of Territorial Cooperation (EGTC) Good Practice Booklet,* 2018. Available at: *https://portal.cor.europa.eu/egtc/news/Pages/egtc-good-practice-booklet.aspx*

STRAT-Board strategy fact-sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=IT-SI-001&fullscreen=yes*

RECOMMENDATIONS

- Apply a functional area approach to match strategy objectives with the spatial scale appropriate to deliver them in an effective way.
  - Take into account the objectives of the strategy, evidence-based analysis of the current situation and the partnership setting, including its governance and cooperation capacities.
  - Allow the definition of the territorial focus of a strategy to take time. Even when building on a previous strategy, the territorial focus should be considered and not taken for given.
  - Consider common assets as well as development issues to shape the territorial focus.
- The definition of the strategy boundaries can neither be made (top-down) by the upper-level authority, nor be left (bottom-up) to the local authorities.
  - A right balance would be that the upper-level authority produces a set of context-based indicators that are in line with its strategic guidelines, and the local authorities organise themselves coherently.
- Delimitate the strategy area by combining data-driven and partnership-driven approaches.
  - When policy aims at linking development needs with territorial potentials, the definition of homogenous areas for policy action usually requires a multi-criteria approach.
  - Use spatial data on flows and interdependencies to identify suitable proposals. Make use of the partnership's tacit knowledge on spatial flows, interdependencies and governance coalitions.
  - In many cases, managing authorities can facilitate the partnership's definition of the territorial focus, for example playing the role of mediators or data providers. Data and spatial analysis can be made available by supralocal bodies as upper administrative levels or research organisations, including universities.
  - Where there is no pre-existing partnership, managing authorities can support the development of new forms of association, (i.e. rural-urban, across municipalities, cross-border).
- Promote rural-urban linkages to better exploit potential complementarities and identify possible synergies.
  - Explore rural-urban linkages in all types of spatial arrangements.
  - Assess rural-urban linkages within the strategy area and between the strategy area and neighbouring urban areas. This concerns all kinds of interlinkages in terms of economic, social, environmental and institutional flows and interdependencies – including various service provisions.
  - Look at the strategy themes from two viewpoints (i.e. rural and urban) and investigate opportunities without predefined spatial bias.

- Establish rural-urban partnerships.
  - This can be achieved through both single-purpose and multiple-purpose partnerships. The choice between the two depends on the number of issues at stake but also on the capacity of the partners. Single-purpose partnerships can be a realistic choice to start with.
  - It is important to ensure a level playing field between rural and urban partners. Managing authorities can support smaller partners through capacity building efforts.
  - In the operational programmes, managing authorities should prioritise strategies that reflect functional integration between urban and rural areas, paying specific attention to (a) economic development, (b) service provision, and/or (c) natural and cultural asset management.
- Allow territorial strategies to extend beyond national borders.
  - Assess whether the functional area of the topics addressed in a strategy is affected by developments beyond the nearest national border and stretches into the neighbouring country. If a functional area extends across a national border, consider the development of a cross-border territorial strategy.
  - Thematic collaborations can support the coordination of cross-sectoral strategies, ensuring strategic orientation especially in the implementation phase.
  - Be realistic and allow the set-up of coordination arrangements that blend national and cross-border structures.
  - Managing authorities can promote the cross-border dimension also in regional operational programmes. Setting up a dialogue between bordering managing authorities should be done already in the programming phase.
  - Managing authorities can provide mechanisms to ensure the possibility for EGTCs to not only be the sole beneficiaries of single projects but also of territorial development strategies.

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Chapter 3

GOVERNANCE

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EU integrated territorial development strategies are implemented in a complex setting of multi-level governance. General goals and procedural rules are set at the EU level. National regional and local governments decide on how to meet these general goals. They establish specific goals that reflect their needs and potentials, provided they are consistent with the main objectives and policy architecture. They design policy interventions crafted according to the specific territorial context, together with relevant actors. Throughout policy implementation, national, regional and local authorities are expected to assess and revise goals, performance measures and decision-making procedures on the basis of emerging evidence. In addition, they must report regularly on their performance to the EU authorities and to their constituencies.[40]

In this context, two main bodies operating at a different spatial scale are particularly important.

- **The managing authorities of the Operational Programmes of EU Funds.** These authorities function at national or regional level and are responsible for the design and operationalisation of the policy framework within which the territorial strategies are designed and implemented. They are usually public authority bodies.
- **The body (or bodies) responsible for the design and implementation of the territorial strategy.** Depending on the type of territorial implementation mechanism, the body responsible for the strategy may vary. In the case of ITI strategies this role is usually played by a regional or a local authority, an association of local authorities or a dedicated body; in a CLLD, it is usually played by a local partnership, the Local Action Group (LAG), involving public and private actors.[41]

Other public entities, private organisations, associations and citizens are expected to be part of the governance arrangements. At a minimum, they should be consulted at the strategy design stage, but successful implementation of the strategy may require a stronger involvement of such actors going well beyond consultation and into participation and co-decision.

The set-up of governance structures and processes for EU integrated territorial development strategies in non-urban areas can be particularly challenging.

40 This reflection is based on Sabel's and Zeitlin's (2008) work on experimental governance in the EU policy context.

41 Regulation (EU), 2021/1060, articles 32-33.

As discussed in Chapter 2, Territorial Focus, i**ntegrated territorial development strategies normally include several small municipalities** and **cross administrative boundaries.** They cover functional areas connected through a variety of linkages (commuting and labour market patterns, access to services, etc.) and/or areas with specific geographical characteristics, cultural identities, etc.

There is a clear added value of EU integrated territorial development strategies at the level of functional areas.[42] For instance, in peripheral, low-density and sparsely populated areas, effective collaboration between municipalities is particularly needed for the provision of essential services such as education and health services (EC, 2021b; OECD, 2021). Soft territorial cooperation arrangements can bring a number of potential benefits. Organisational flexibility can increase ownership and improve implementation, and membership variety in territorial development strategies makes it possible to involve different levels of government and public and private stakeholders on equal footing (ESPON, 2017).

However, **territorial cooperation comes with challenges.** Difficulties may emerge in identifying the territorial and thematic scope of strategies, as well as establishing sustainable coordination mechanisms (Van der Zwet et al., 2017). The involvement of different local and sub-regional authorities tend to increase coordination costs. Finally, in areas with low population density and extensive territorial coverage it can be difficult to bring actors together.

Furthermore, **non-urban areas are a key target of several distinct policies at EU level.** They are explicitly addressed by the rural development policy through the European Agricultural Fund for Rural Development (EAFRD) and by the EU cohesion policy. In coastal or insular areas, the European Maritime Policy is also relevant.

The boundaries between these policies are often fuzzy. They rely on similar implementation structures and mechanisms (e.g. national or regional managing authorities) and some of their thematic priorities can overlap. Yet, responsibilities are typically separate at EU, national and regional levels and the policies are implemented through parallel governance and delivery structures (Kah, Georgieva and Fonseca, 2020).

Against this background, this building block chapter focuses on the key aspects of governance, providing examples and recommendations.

The effective governance of EU integrated territorial development strategies in non-urban areas requires the capacity to coordinate within and across different levels of government, public administrations and agencies, as well as the capacity to engage with the private sector, other public entities, NGOs and citizen groups in the concerned territory. Sound governance arrangements imply that organisations responsible for the management of the strategies are empowered with political support along with organisational and analytical capacities to perform policy functions and operate closely to the local level. Channels for negotiation and collaboration with private and public actors need to be in place, together with coordination mechanisms across different spatial scales and between managing authorities, different ministries/departments and local authorities. Another key ingredient for effective governance is the availability of adequate skills and resources, in both public authorities and relevant stakeholders, to effectively carry out strategy formulation, implementation and monitoring.

42 Please refer to the Chapter 2, Territorial Focus (Challenge 1) for an analysis of integrated territorial strategies implemented across municipal borders during the 2014–20 programming period.

This chapter addresses the following challenges:

- *How to identify suitable governance structures.*
- *How to ensure coordination between actors at different governance levels.*
- *How to engage relevant stakeholders and citizens throughout the policy process.*
- *How to build capacity at local, regional and national levels.*

CHALLENGE 1: How to identify suitable governance structures

Putting in place effective governance structures requires decisions on which bodies are responsible for the implementation of the territorial strategies at Operational Programme and strategy level and how responsibilities are shared between these two levels.

Implementing bodies

At Operational Programme level, territorial implementation mechanisms instruments are usually handled by the same government bodies that are responsible for other instruments of the Programme. At the strategy level, instead, a multiplicity of actors and administrative units is normally involved. Therefore, to ensure effective coordination mechanisms for strategy design and implementation, at the local level, a choice must be made between: using or creating a dedicated organisational structure, or selecting one of the partners to play the lead role.

Territorial strategies in non-urban areas tend to include several municipalities that are often small and/or have very limited financial and human resources to provide public services and implement policies. The situation varies depending on the areas of responsibility that municipalities have, which differ widely between countries, but also depending on municipal finances, administrative capacities and institutional arrangements (some Member States are more centralised than others) or simply on the territorial size.

These limitations can be overcome by cooperation and, in fact, several European countries have a long tradition of different inter-municipal cooperation arrangements (CoE et al., 2010). In some territories, inter-municipal agencies have been created to integrate common strategic municipal functions under a single body (e.g. Business Joensuu Ltd. in North Karelia) (OECD, 2020a). Joint management of municipal functions and services can even be a precondition for accessing funding for territorial development strategies, as in the case of the Italian National Strategy for Inner Areas (SNAI).

Finding a satisfactory balance between collective action (inter-municipal cooperation) and the autonomy of single municipalities represents a crucial condition for effective implementation of territorial development strategies.

Be careful!

Territorial instruments such as ITI and CLLD strategies have contributed to strengthening cooperation between municipalities in many territories during the 2014–2020 programming period.[43]

In the case of ITI strategies, two main solutions have been implemented: the use of a dedicated organisational structure (for more information on this example, see Chapter 5, Funding and Finance) **and the set-up of procedures in which one local authority takes the lead in the implementation process.** The latter is more prevalent in a functional urban area, where major cities are more likely to possess the administrative capacity to take on the central role in the implementation of the strategy. In rural contexts, groups of smaller local authorities working together are more likely to benefit from a dedicated body tasked with managing the implementation of the territorial strategy, with a common office, adequate staff and resources.

This distinction can be exemplified by the case of Poland, where ITI strategies make use of two different types of cooperation: agreement and association (although the Polish strategies are urban, their main principles can apply to non-urban contexts: see Chapter 2, Territorial Focus). In the first type of cooperation, partnering municipalities do not form a separate entity, but cooperate voluntarily on the basis of a signed agreement. The main joint tasks are delegated to a specific member of the association, usually the largest municipality. In the second model, municipalities set up a new body, an association of which they become members of. This association usually has a more complex structure, with an executive board, president, secretariat, advisory board, etc., as well as more detailed collaboration rules.

The choice of model has implications for the selection of the institution that assumes the role of intermediate body. In the case of agreements, the lead municipality becomes the intermediate body, while in the case of associations, this role is taken on by the association's secretariat.

The advantage of using associations is that it ensures greater independence and reduces bias towards any dominant municipality. It also avoids the concentration of an additional administrative burden to just one municipality. Yet, a disadvantage is that the creation of an additional actor, such as an association, can result in unnecessary supplementary administrative burdens and costs. While the use of an agreement might allow the lead organisation to cover the additional tasks through its existing administrative structures, this option is more difficult in rural contexts, where individual municipal administrations are likely to be smaller and lacking the capacity to take on the additional burden of coordinating an ITI strategy.

For CLLD, the formal creation of a LAG to develop and implement the territorial strategy is compulsory. The range of actors involved is much wider and includes not only local authorities, but also other bodies from the public, private or NGO sectors. However, the situation is similar to that of ITI insofar as the LAG does not necessarily have to be a new legally constituted structure: partners in the LAG can select one partner within the group as a lead partner in administrative and financial matters. In either case, LAGs need to represent the interests of the community and be responsible for both design and implementation of their strategy.[44] Importantly, up to 25 % of the total budget of the local strategy (irrespective

43 Evaluation reports on the implementation of territorial development strategies in different countries and regions can be consulted at: *https://ec.europa.eu/regional_policy/en/policy/evaluations/member-states*

44 Regulation (EU), 2021/1060, articles 32-33.

of the funding source) can be used to cover the costs of LAG management and stimulating the engagement of the local community.

Additional resouce

WORLD BANK (2018) AREAS/SECTORS FOR INTER-JURISDICTIONAL COOPERATION

In the context of the project 'Romania: Catching-Up Regions', the World Bank presents a report on different organisational models for interjurisdictional agreements, with examples from Czechia, Finland, Germany (North Rhine-Westphalia), Italy, Poland, Portugal, Romania, Spain and the United Kingdom (England). Even if the focus is on Sustainable Urban Development strategies, the report also addresses governance arrangements for integrated territorial strategies in non-urban areas. Examples from Romania include a non-urban ITI in the Danube Delta, where an intercommunity development association has been created, bringing together 38 territorial administrative units; there is also an overview of Romanian CLLD models.

The main takeaways from the report are the following.

- The government needs to take a long-term approach on multi-jurisdiction cooperation and incorporate mechanisms and capability for learning and refinement.
- There are various approaches to structuring multi-jurisdiction cooperation, from informal to formal agreements. The decision regarding which modality to adopt should be made taking factors like context, capacity, etc. into account.
- Multijurisdictional cooperation requires clear delineation of roles and responsibilities between various parties.
- Cooperation across jurisdictions requires capacity. Building this capacity is an important condition in the development of robust local administrations. This capacity should also focus on building and improving citizen participation and private sector engagement.

For more information

World Bank, *Romania: Catching-Up Regions. Areas/Sectors for Inter-Jurisdictional Cooperation,* Washington, 2018. Available at: *https://documents.worldbank.org/en/publication/documents-reports/documentdetail/452231580295162249/romania-catching-up-regions-areas-or-sectors-for-interjurisdictional-cooperation*

Sharing governance responsibilities

The EU cohesion policy 2021–27 strengthens the role of territorial authorities and actors in strategy design and implementation. For ITI and other territorial tools, strategies fall under the responsibility of the relevant territorial authorities or bodies. These must provide a description of stakeholder engagement in the design and implementation stages. Finally, strategies require the relevant territorial authorities or bodies selecting or involved in the selection of operations. For CLLD, several tasks, notably linked with the selection of projects (developing criteria and procedures, publication of calls and carrying out the selection) are under the exclusive responsibility of the LAG.[45]

45 Regulation (EU), 2021/1060, Article 33.

Table 1 below sets out the most common arrangements for the governance of territorial and local strategies with regard to the responsibilities of the above mentioned types of actors at the stage of (a) design and planning of the territorial strategies and (b) during their implementation.

TABLE 1. Responsibilities of key governance actors.

Type of actor	Stage	Responsibilities under:	
		ITI and other territorial tools	CLLD
Managing Authorities or designated Intermediate Bodies (at national or regional level)	Design & planning	- indicate eligible areas and the method of approving the territorial strategies - design the scope of operations supported - assess and approve the local strategies - define the criteria and procedure for the selection of operations	- may indicate which areas are eligible for CLLD - design the rules for the selection of LAGs and strategies - publish calls for LAGs and their strategies - assess the local strategies and select LAGs
	Implementation	- select operations (or approves those selected by territorial authorities) - can carry out monitoring and evaluation at strategy or programme level	- approve support to operations selected by the LAG - can carry out monitoring and evaluation at programme level
Relevant territorial authority or LAG (CLLD)	Design & planning	- develop the strategy for its territory (existing strategic documents can be used) - cooperate with the MA in defining the scope of operations to be supported	- define the area and identifies its challenges - develop the local strategy - define criteria and procedures for project selection
	Implementation	- participate at project selection decisions - inform and encourage potential project promoters - can carry out own operations (?) - can carry out monitoring and evaluation at strategy level	- encourage and support potential project promoters - launch the calls and select operations - can carry out own operations - carry out monitoring and evaluation at strategy level

Where the territorial authority or LAG carries out additional tasks that normally fall under the responsibility of the managing authority, the authority becomes a formal Intermediate Body in the governance model of the programme. What characteristics these territorial authorities or bodies should have is left open.

Learning from practice

LAGS AS INTERMEDIATE BODIES (GREECE)

In the 2014–2020 period the Local Action Groups under the European Maritime and Fisheries Fund (EMFF) have been designated Intermediate Bodies (IBs). Thus, they not only select projects but also issue their final approval. To this end, the management and control system of the Greek EMFF programme was adapted and fisheries LAGs had to develop appropriate internal procedures and undergo training on using the national IT system. At a later stage, the function of making payments to beneficiaries was also delegated to the LAGs.

In spite of the initial delays, the system seems to be functioning well, showing that local partnerships can effectively play the role of IBs, approve projects and make payments.

For more information

Budzich-Tabor, U., van de Walle, G., Veronesi Burch, M., *Delivering CLLD effectively A guide for EMFF Managing Authorities,* Guide No 19, FARNET, Brussels, 2019. Available at: *https://webgate.ec.europa.eu/fpfis/cms/farnet2/sites/default/files/publication/en_farnetguide_19_fin.pdf*

The Italian National Strategy for Inner Areas (SNAI) is a good example of a clear division of responsibilities between different governance levels.

Learning from practice

ITALIAN NATIONAL STRATEGY FOR INNER AREAS (ITALY)

The Italian National Strategy for Inner Areas (SNAI) was launched in 2012 with the main objective of improving demographic trends and transforming less-favoured areas into places of opportunity.

To achieve this goal, the strategy builds on an integrated approach, characterised by two main interconnected lines of action.

- The first one aims at improving the quantity and quality of essential services (education, health and mobility). This line is funded with resources managed by the different competent national ministries.
- The second strand of interventions promotes local development initiatives, which are funded by a combination of European Funds managed by the Italian regions.

The strategy has a budget of nearly €700 million, of which 70 % are European Structural and Investment Funds (ESIFs) (mainly the European Regional Development Fund, ERDF, and the European Agriculture Fund for Rural Development, EAFRD), 21 % national funding and the remaining part other public and private funding. The resources are targeted at 72 pilot areas distributed across 20 Italian regions that have been selected according to their distance to services, demographic trends, but also by taking into account their capacity to implement projects. The 72 project areas cover 16.7 % of the Italian territory and 3 % of Italy's population. On average, they involve 15 municipalities and 29 000 residents.

The Framework Agreement contains the implementation mechanisms for local strategies, which contains the list of measures and the associated resources, as well as the responsibilities of each (national, regional and local) public administration involved in strategy implementation and monitoring.

In the multi-level governance setting of the SNAI, each level is responsible for some specific tasks.

- National level: fostering and monitoring of the SNAI; provision of analytical and methodological support for the selection of the areas and the strategy design process at local level through the Inner Areas Technical Committee[46];

46 The Inner Areas Technical Committee brought together staff from different ministries (together with regional administrations, the associations of Italian municipalities and a number of other entities) and acted as a centre of expertise and an external impartial actor working with local communities to promote policy innovation and overcome resistance to change.

management of the knowledge exchange platform 'Federation of Projects'.

- Regional level: selection of intervention areas; provision of funding and implementation of measures from regional Operational Programmes.
- Municipal level: design and implementation of the strategy at territorial level; management of associated services.

Within the SNAI, the different municipalities composing a pilot area are required to cooperate. In particular, the joint management of municipal functions and services, which are relevant to the achievement of the objectives of the local strategy, is a condition for accessing funding (Barca, Casavola and Lucatelli, 2014).

Below, some preliminary insights on this policy initiative.

- The 'inner areas' method has strengthened networks of actors and co-operation behaviours. It has also contributed to building strategic capacities in local communities, while promoting the reorganisation of municipal functions and services and the experimentation of new modes of interaction of public authorities across different spatial scales. It has brought the national ministries closer to local authorities to devise practicable solutions for the provision of essential services (Lucatelli and Monaco 2018).
- Delays in the implementation of the local strategies have been the result the newness of the method introduced by the policy scheme (the involvement of different government levels and actors, co-decision and co-design processes, etc.), as well as the lack of tradition and capacities of territories in debating and planning their own development paths (Lucatelli and Storti, 2019). Efforts to reduce delays in the policy process and to facilitate the integration of different funds will be needed in the future.
- Finally, weak administrative capacities can hamper the effective design and implementation of public intervention in the inner areas (Lucatelli and Monaco, 2018). Proposals have been made to strengthen the technical structures of the associated municipalities. Future policy developments are expected to include administrative capacity building measures.

For more information

SNAI website: *https://www.agenziacoesione.gov.it/news_istituzionali/aree-interne*

Be careful!

Governance arrangements should be tailored to the available capacities to perform policy functions in a given territory. Overly ambitious and complicated governance structures and procedures for ITI and CLLD should be avoided, as these risk delaying implementation. In the 2014–2020 period, the implementation of integrated territorial development strategies experienced considerable delays, irrespective of the applied territorial delivery mechanism. These delays can partly be explained by the novelty of the approach, in some countries, and the complexity of challenges, but in some Member States the centralised governance culture resulted in higher levels of government being hesitant to empower municipalities to design and implement their own strategies. In other cases, Managing Authorities set up governance structures in a top-down manner. Furthermore, programme authorities often developed complex rules and procedures going well beyond what is required by EU legislation (the so-called 'gold-plating'). In the future, implemen-

tation models should be simplified and streamlined and capacities of local actors and beneficiaries enhanced.[47]

The introduction of new implementation mechanisms should be carefully assessed on a case-by-case basis. In territories where existing instruments and governance arrangements work, the introduction of new implementation mechanisms may not provide any added value but rather increase coordination costs. For example, the existence of well-established domestic implementation mechanisms explains why CLLD and ITI have been used only to a very limited extent in Germany. The abandonment of the ITI Western Coast (in Schleswig-Holstein) proves that, under certain circumstances, the use of established domestic territorial tools can be more suitable than the introduction of new tools. The ITI Western Coast did not bring any added value compared with already established territorial cooperation structures, such as the Hamburg Metropolitan Region or the ETC programme with neighbouring Denmark (GEFRA et al., 2017). For the 2021–2027 period, the option is available for making use of 'other territorial tools', precisely to benefit from existing governance structures.

CHALLENGE 2: How to ensure coordination between actors at different governance levels

The governance architecture of EU integrated territorial development strategies strongly relies on the functioning of vertical (across different levels) and horizontal (among different bodies at the same level) coordination mechanisms to successfully design and implement public interventions.

Vertical coordination takes place between governance bodies and actors placed at different spatial scales. It is needed to: a) bring to the fore the different agendas and interests of all levels of government and relevant stakeholders, making sure that local needs are included in national and regional policy schemes for territorial strategies; b) ensure effective implementation and coherence across different territorial levels; and c) avoid duplications, promote synergies and reduce the administrative burden for beneficiaries. Vertical coordination is needed to set up a coherent framework with adequate mechanisms that can address different territorial needs and challenges and facilitate cross-sectoral interventions for sound integrated territorial development strategies.

In countries where operational programmes are managed at different territorial levels (e.g. ERDF operational programmes managed at regional level and a single Rural Development Programme at national level), effective vertical coordination is a key condition for setting up a clear policy framework for territorial integrated strategies.

Horizontal coordination mechanisms are expected to ensure coherence between the different policy areas, instruments and implementing authorities

47 Evaluation reports on the implementation of territorial development strategies in different countries and regions can be consulted at: *https://ec.europa.eu/regional_policy/en/policy/evaluations/member-states; https://ec.europa.eu/regional_policy/en/information/publications/reports/2017/strategic-report-2017-on-the-implementation-of-european-structural-and-investment-funds*

(ministries, Managing Authorities, departments, agencies, etc.). Effective horizontal coordination is essential to support integrated cross-sectoral policy interventions and the combination of different funding sources.

At the local level, horizontal coordination can help build permanent cooperation models to address local governments' challenges, including lack of staff capacity, fragmented access to information on business needs and labour skills and difficulties in providing essential services. Such co-operation can be done through institutionalised inter-municipal bodies (at local or regional level) or more flexible inter-municipal agreements (OECD, 2020a).[48]

The territorial implementation mechanisms (ITI and CLLD) introduced in the 2014–2020 period represented an opportunity and served as frameworks **for fostering bottom-up approaches in line with the subsidiarity principle, and to better coordinate the activities of local, regional and national authorities.**

Despite the widespread improvements in governance arrangements, however, vertical and horizontal coordination failures have impacted the territorial strategy implementation in several EU countries and regions. In several cases the coordination mechanisms between the national and regional/local levels were not fully operational. In some circumstances, local needs have been hardly included in national and regional policy schemes. Lack of clarity and frequent changes in rules along with cumbersome delivery mechanisms caused delays and only partial implementation of the strategies.[49]

Below, some coordination mechanisms at policy and strategy level are explored in detail through some concrete examples.

There are a number of different approaches and solutions to coordinating different policies at national or regional levels. In some cases, this involves setting up inter-service working groups or committees (for example, the federal state of Saxony-Anhalt has established an inter-ministerial Working Group and Monitoring Committee for the ERDF, the European Social Fund (ESF) and the EAFRD for the programming period 2014–2020). Another option is to create dedicated bodies involving a wide range of actors (public, private, social, research, etc.), focusing on a broader policy field like, for example, the Rural Policy Council in Finland.

Finally, the Italian National Strategy for Inner Areas (SNAI) provides a useful example for a framework coordinating EU cohesion and rural development policies along with other national policies (see Challenge 1 of this chapter).

48 Interesting examples of inter-municipal cooperation from Spain, Bulgaria, Finland and other countries are illustrated in the ESPON project ESCAPE (2020), *https://www.espon.eu/escape*

49 Evaluation reports on the implementation of territorial development strategies in different countries and regions can be consulted at: *https://ec.europa.eu/regional_policy/en/policy/evaluations/member-states* and *https://ec.europa.eu/regional_policy/en/information/publications/reports/2017/strategic-report-2017-on-the-implementation-of-european-structural-and-investment-fundsthe-implementation-of-european-structural-and-investment-funds*. See also ESPON (2020).

Learning from practice

THE NATIONAL RURAL POLICY COUNCIL AND THE NATIONAL RURAL PROGRAMME (FINLAND)

The main objective of the rural policy in Finland is to improve living conditions and job opportunities in the countryside. The rural policy measures are undertaken in cooperation between ministries, regional agencies, municipalities and various NGO's related to the welfare of the rural population, rural businesses and rural development.

These measures are designed by the Rural Policy Council. The Council consists of 34 members, each representing policy areas pertaining to everyday rural life and entrepreneurship. The Rural Policy Council is led by the Minister of Agriculture and Forestry and includes 9 ministries, 2 Regional State Authorities and several umbrella organisations (local and regional authorities, social and healthcare NGOs, advocacy organisations, research centres, etc.).

The Rural Policy Council is responsible for designing and managing the National Rural Policy Programme. The Programme provides strategic guidelines and specific measures. For each measure the actors responsible for its realisation are indicated. The themes and many of the measures require cooperation between actors at various levels of administration and in society.

The Rural Policy Council carries forward the Programme through negotiations, projects and thematic groups and by influencing various processes. Such Programmes have been implemented over three decades contributing to providing a long-term perspective to rural policy. The implementation of the current (2021–27) Programme is based on both national and EU policies.

The main strengths of the rural policy process are: i) the involvement of civil society and academia as providers of local and technical knowledge, reducing a critical knowledge gap that many central governments have in targeting the priorities of rural policy; ii) the ownership of the programme by the different government and non-government actors involved, resulting from a long process of negotiation and aligning the actions of all key stakeholders; iii) clarity in the allocation of roles and responsibilities within the government; and iv) the monitoring and evaluation process on how the proposals/decisions have been put forward (OECD, 2020a,).

For more information

Rural policy council website: *https://www.ruralpolicy.fi*

Organisation for Economic Cooperation and Development (OECD), *Rural Well-being: Geography of Opportunities,* OECD Rural Studies, OECD Publishing, Paris, 2020a. Available at: *https://doi.org/10.1787/d25cef80-en*

At strategy level, mechanisms for coordination and coherence are particularly relevant when several territorial development strategies are overlapping (Kah, 2019). Strategies that might be present in the same territory can either be partially EU-funded (such as Interreg, LEADER LAGs) or be part of domestic policy frameworks. In this respect, the drawing of institutional maps can help identify overlaps of actors and the cooperation agreements already in place in a specific territory. In fact, territorial strategies themselves can be instruments to coordinate among different policies.

An interesting example of governance arrangements at ITI level that include all relevant authorities is the Spanish region of Castilla-La Mancha (for more information on this example, see Chapter 5, Funding and Finance).

In the case of CLLD, the LAG represents a key institutional space where coordination with a wide range of private and public actors can take place. However, to effectively play this role, LAGs need strong support from the higher level. The arrangements developed by the Austrian region of Tyrol show how good coordination between policies at the federal state level can help LAGs become genuine one-stop shops offering a wide range of support schemes to local actors.

Learning from practice

CLLD COORDINATION IN TYROL (AUSTRIA)

Tyrol's governance approach is based on the principle of providing one-stop-shops for potential beneficiaries. There are single bodies at both the level of the Federal State and at the level of its 10 sub-regions that coordinate different schemes and provide advice on funding opportunities. In each of the sub-regions there is one coordination body with a management office, which also acts as CLLD LAG. The offices work with different government departments as well as with their local stakeholders, also providing expertise to local authorities. In Austria, only Tyrol channels both EAFRD and ERDF funding through its LAGs, making them one-stop-shops for beneficiaries at the sub-regional level.

FIGURE 2. Governance of regional development policy in Tyrol.

Source: own elaboration based on information provided by the Government of Tyrol, Department of Regional Development.

The current concept Regional Management 2021+ is the reference framework for Tyrol's sub-regional strategies.

During the implementation of these strategies, the sub-regions cooperate with relevant Tyrol-level actors, such as:

- the Climate, Energy and Circular Economy Platform, which supports and advises the regions on the transformation process;
- the ESF authorities, which intend to develop specific calls for the LAGs (e.g. on work-life balance schemes);
- the Tyrol Tourist Board, whose strategy will be taken up in LAG strategies, such as through a pilot project in 4 tourism regions on sustainable, CO2-neutral tourism development (Clean Alpine Region, CLAR); and
- the Tyrol's Department for Business Location, Digitisation and Science (Government of Tyrol, Department for Regional Development), which aims to ensure connectivity of its economic and innovation strategy with LAG strategies.

For more information

Regional management Tyrol website: *https://www.rm-tirol.at/en/programs/leader-clld-2014-2020*

The existence of a strong political and technical leadership represents an important condition for effective coordination.

Be careful!

In addition to LAGs and public sector authorities, there are also other bodies that can support the coordination of territorial strategies. In particular, **regional and local development agencies and other intermediary organisations can play a central role in strengthening the quality of relations in territories** – an essential condition for the success of strategies.

An interesting example of intermediary organisation is represented by the Regional Management Agencies (RMAs) in Austria. These agencies operate at the intermediate (sub-regional) level between the federal state and municipality and play a key role in facilitating the interface between planning, politics, management and regional steering of participatory processes. They can be drivers and mediators of multi-level governance arrangements of their (sub)region, coordinating the diverse needs of metropolitan, peri-urban and rural parts. For example, the RMA of the Metropolitan Area of Styria has supported the development of the area's strategy. The RMA also acts as a contact point, coordinator and enabler of funding for inter-municipal cooperation projects, providing assistance with the project ideas, finding partners and co-ordinating the implementation of the projects. The Regional Manager often acts as an icebreaker of inter-municipal cooperation (Oedl-Wiser et al., 2020).

Coordination can also be achieved with other instruments. Contracts can be used as tools for vertical and/or horizontal coordination. They are especially effective in rural areas where small municipalities may be involved in national policy schemes and processes (OECD, 2020a). In Western Pomerania (Poland), 'local government contracts' have been implemented with a reduced administrative burden. Contracts are concluded between the province (Voivodeship) and a group of local authorities with regional authorities acting as facilitators for setting up inter-municipal cooperation (Gløersen, 2021).

Contracts can be a useful tool when two territorial instruments, ITI and CLLD, cover the same or partially overlapping area. In the Portuguese Centro Region operational programme, for instance, coordination is ensured via contracts between the managing authority and the municipalities involved in the territorial strategies.

In France, 'reciprocity contracts' have been experimented to support the cooperation between urban centres and rural areas. In Italy, the 'framework agreement' has been used to clearly identify financial resources and tasks for each level of government in the implementation of the single local development strategies within the National Strategy for Inner Areas (SNAI) policy framework (see Challenge 1 of this chapter).

To conclude, in circumstances where the allocation of responsibilities and policy issues require the collaboration between different levels of government, contracts can be useful tools to deal with these interdependences.

CHALLENGE 3: How to engage relevant stakeholders and citizens throughout the policy process

In a multi-level governance context, special attention needs to be given to the **involvement of local stakeholders to ensure strategic consistency with local needs, challenges and development opportunities, to use local knowledge and to mobilise key actors around strategic goals.**

'A Europe closer to citizens' policy objective of the EU cohesion policy stresses that territorial and local development can only take place with the involvement of the inhabitants of the area concerned. This is accompanied by a widespread belief among citizens in rural areas that when the EU invests in their local area, it is the local area or province that should be able to decide how this investment is spent (EC, 2021a).

In its principles for rural development, the OECD advocates community-led development via the inclusive engagement of stakeholders in policy design and implementation.[50] The local population is seen as a valuable resource in the process and participation becomes an opportunity to make constructive use of stakeholder engagement. In such a bottom-up approach to policy-making, local actors are actively involved in defining a development strategy for their area. They can take charge of their area's future if a collective approach is in place with appropriate delegated decision-making arrangements that avoid any one interest group having a majority that allows it to control decisions.

A bottom-up approach is an important ingredient to ensure sustainability and local ownership of policies. Stakeholder engagement in policy-making is expected to enhance government accountability, broaden citizens' influence on decision-making processes and build civic capacity (OECD, 2020a).

50 *https://www.oecd.org/regional/oecd-principles-rural-policies.htm*

Participation can be grouped into different types, with existing literature often using hierarchic models. Table 2 illustrates a four-level approach, with the role given to the local population increasing with each level.

TABLE 2. Different types of participation[51].

Level	Communication mode	Public influence	Activities	Examples related to territorial development
Information	One-way	None	Pass on information, e.g. via newsletters, brochures, websites	Inform citizens about ongoing strategy development process
Consultation	Two-way	Limited	Ask and listen to the public via polls, surveys, interviews	Online consultation about draft strategy documents
Collaboration	Dialogue-based	Moderate	Collaborative events such as workshops, joint decision-making, etc.	Involve citizens in workshop to identify strategic priorities
Empowerment	Dialogue-based	High	Delegation of tasks	Participatory budgeting or project selection, co-production of services

Engagement goes beyond information and consultation procedures. It refers to the systematic pursuit of co-operation between government organisations, relevant stakeholders and citizens through the use of joint decision-making processes, co-creation and co-production mechanisms, etc. (OECD, 2020a).

Local governments can benefit from a closer relationship with their citizens. Many rural communities have strong social capital, which can be a valuable resource for promoting collective action and development processes (Li, Westlund and Liu, 2019; OECD, 2020a; Sørensen, 2016).

While there is general agreement about the importance of involving the population that will be affected by policies, citizen participation is often seen as a regulatory requirement introducing an additional burden that can complicate and slow down policy implementation. However, enabling local actors to participate in defining strategic priorities and implementing projects can be a way of breaking the self-reinforcing circle in which many disadvantaged areas find themselves. Participation helps building trust, which is necessary to support collective action. It can reduce conflict by building a consensus and facilitate the circulation of ideas and local knowledge and the identification of innovative solutions. Finally, participation increases the ownership of development strategies by local actors, improving their sustainability over time and facilitating their implementation.

A key precondition for citizen participation is that there is a sufficient number of people that want and can engage. This might require building the capacities for participation. Engaging the local population can be particularly difficult in some of the most disadvantaged rural areas, those with a low number of inhabitants, low population density and less experience in participation.

Participation also risks leading to the polarisation of different interests, thereby creating conflicts. This can especially be the case in territories where there is no

51 For similar approaches to categorise types of participation see, for instance, concepts developed by the OECD and the International Association for Public Participation.

established participation culture. On the other hand, in territories with a longer participatory tradition, participation can sometimes revolve around a limited number of so-called 'professional citizens' who get involved for the sake of being involved, often outside of their thematic or territorial area of responsibility.

Participation needs to be actively promoted, otherwise there is a risk of not reaching all relevant groups. Some interests might be overrepresented, e.g. from particularly active stakeholders representing narrow sectoral interests, while other groups, such as young people, women or the elderly or marginalised groups are not involved as much as they should be.

EU cohesion policy funding can be used to actively support participation and enhance the capacity of public authorities and other stakeholders in performing policy functions. In Italy, for example, the EU cohesion policy funding 2014–2020 has been used to support youth engagement in the National Strategy for Inner Areas *(Officina Giovani Aree Interne)*.[52]

More generally, citizen participation takes time and this has to be taken into account in light of tight implementation timetables for EU cohesion policy and rural development policy. Starting the preparation of territorial integrated strategies early in the programming cycle is therefore essential.

Thus, it is very important to ensure that human resources with relational capacities (professionals, volunteers, local opinion leaders, etc.) are allocated to liaising with relevant local actors and encouraging participation. It may be useful, in some cases, to work with a smaller number of representatives of groups that are particularly difficult to reach, who can play the role of 'ambassadors'. In other situations, the involvement of external experts can be considered to activate the local population and avoid path dependency. Such experts can come from outside or from neighbouring places with similar challenges.

Stakeholder mapping can help identify all people, organisations and institutions who can play a significant role in strategy design and implementation. A number of stakeholder mapping tools are available, including a step-by-step practical guide for stakeholder mapping developed in the framework of the Danube Transnational Programme[53]. A much simpler mapping table can be found in the FARNET Guide on 'Area-based Development in EU fisheries areas'[54].

Stakeholder engagement must be ensured throughout the entire strategy cycle.

During the strategy development phase, a number of tools and practices can be used to facilitate participation of a wide range of stakeholders. These can include village meetings, thematic workshops, interviews, surveys and questionnaires, facilitated online discussion forums or social media groups and even hackathons.[55]

Supporting tools such as visualisation and 3-D spatial planning can be particularly useful when facilitating the participation of grassroots actors in the planning processes.

52 *https://www.officinecoesione.it*

53 *https://www.interreg-danube.eu/uploads/media/approved_project_public/0001/44/51de32f74aec5465eb6a9d44b845250282a29a0a.pdf*

54 *https://webgate.ec.europa.eu/fpfis/cms/farnet/files/documents/FARNET_Start-up_Guide-1_EN.pdf*

55 For more information on these tools, see FARNET (2020).

COMCOT – AN INNOVATIVE COMMUNITY PARTICIPATION TOOL

Implemented within the framework of Central Baltic INTERREG IVA, the cooperation project between Finland and Estonia COMCOT aimed to develop community ownership of sustainable tourism development. Within this project, a practical handbook was developed presenting key steps for community participation, methods to be used therein and risks associated with each step. The handbook covers:

Phase 1: Activation: bringing people together, collecting ideas and prioritisation;

Phase 2: Developing and visualising, networking and developing an action plan;

Phase 3: Realisation: capacity building, implementing, delivering and monitoring.

Phase 2 included the use of a portable, immersive and real time 3-dimensional (3D) computer based visualisation program that enabled the community to see the planned ideas from every angle and reflect on their impact on the landscape and environment.

For more information

Matilainen, A., Evans, R., Lähdesmäki, M., Sudakova, L., An Innovative Tool for Improving the Competitiveness of Community-Based Tourism – a Handbook, European Regional Development Fund. Available at: *https://projects.centralbaltic.eu/images/files/result_pdf/COMCOT_result1_COMCOT_Tool_ENG.pdf*

Additional resouce

The 'REBOOST - A Boost for Rural Lignite Regions' project uses another interesting tool: strategic simulation techniques are used to involve and empower local stakeholders in the design and exploration of alternative future pathways for the transition from the current high economic dependence on lignite to a low-carbon future in three European regions (Lusatia in Germany, Konin in Poland and Gorj in Romania).[56] The example of 'CLLD strategy of LAG Gotsedelchev-Garmen-Hadzhidimovo (Bulgaria)' provides yet another experience of stakeholder engagement – this time, with respect to strategy design and decisions on budget allocation (for more information on this example, see Chapter 1, Strategic Dimension).

During the implementation phase, local actors can also be involved in the decision-making to select projects. In the case of CLLD, this is mandatory – each LAG must have a specific decision-making body (this can be the board, the general assembly or a special dedicated body) that takes key decisions, including the selection of operations. This body must be representative of key interests in the area and must not be dominated by any single interest group.

In the past, some LAGs also experienced some mechanisms to include all the inhabitants of the area in the decision-making process. This is for example the case of the LAG in the district of Scheveningen in The Hague (Netherlands).

56 For more details on this example, see Chapter 1, Strategic Dimension. The project is supported by the European Institute of Innovation & Technology (EIT) Climate-KIC INNOVATION ECOSYSTEMS – Cross European Ecosystems programme and co-funded by EIT: *https://systemssolutions.org/projects-and-activities/reboost*; *https://wegcenter.uni-graz.at/en/research/research-group-soco/projects/reboost*

Learning from practice

CLLD STRATEGY SCHEVENINGEN (NETHERLANDS)

The district of Scheveningen in The Hague (Netherlands) implements CLLD financed from the EMFF and municipal sources. The LAG has put in place an elaborate procedure to make sure that all citizens of the area concerned can vote on the development project they considered most useful for their community.

The LAG organised six calls for projects, each with a budget of EUR 150 000 (an individual project receiving a maximum of EUR 30 000). After the technical assessment by the LAG, all project owners were challenged to describe their proposal in maximum 150 words, which were used for publication in the local newspapers and on the website. All people in the coastal area (ca. 29 000) were invited to select the proposals in order of priority. In spite of the challenges of getting the information and unique voting codes to the inhabitants, between 1 500 and 4 500 of them took part in the vote, depending on the call round.

For more information

Van Dijk, T., 'Institutionalisation of Collective Action, Community Led Local Development in the context of the European Funds for Regional Development. The Case of Scheveningen', initiatiefopscheveningen, 2020. Available at: *https://initiatiefopscheveningen.nl/wp-content/uploads/2020/06/200401-Community-Led-Local-Development.pdf*

Beyond the use of participatory strategy design and implementation tools, the role of the LAG can be crucial in terms of implementing those types of projects that require broad participation, but due to their complexity cannot be implemented by individual beneficiaries. This is exemplified in the case of the Swedish LAG Halland.

Learning from practice

LOCAL INITIATIVE FOR A RICHER HALLAND (SWEDEN)

For the LAG Halland, stakeholder engagement is a way to achieve co-creating local development with the local population. The LAG makes a point of including a minimum share of LAG-owned projects in their Local Development Strategy. The reasons behind this is that projects run by the LAG itself have shown to be the best way to engage directly with stakeholders. In 2014–2020, the involvement of additional ESI Funds beyond EAFRD allowed addressing new themes, such as business support and social services, and led to engaging with new actors.

LAG-run projects have been used in the areas of social housing and transport, which are fields that require the cooperation of a wide range of organisations. One lesson has been that the more complex a project is, the more participatory approaches are needed to make it work.

Other project types, for instance in the field of tourism, are comparatively easy to implement and are therefore more suited to be run by regional stakeholders themselves.

For more information

LAG Halland website: *https://www.lluh.se*

STRAT-Board strategy fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=SE-CLLD-001&fullscreen=yes

Finally, participation is an increasingly important feature of different strands of EU policy-making, and the European Commission's Joint Research Centre (JRC) is working to implement participatory and deliberative practices in science and policy, recognizing that expert knowledge may not be enough to address citizens' concerns and complex governance issues.[57] Participatory approaches play an important role in the newly launched New European Bauhaus initiative (see Chapter 4, Cross-Sectoral Integration) and in the Just Transition Mechanism. Some useful resources on participation are listed in the box below.

Additional resouce

YOUTH FOR A JUST TRANSITION – A TOOLKIT FOR YOUTH PARTICIPATION IN THE JUST TRANSITION FUND

This toolkit, prepared by the European Commission in 2021, gives advice for the meaningful participation of young people in a policy process. Although it addresses in particular policy-makers responsible for the implementation of the Just Transition Fund (JTF), it provides practical guidance and good practice examples for youth engagement and co-creation methods that can also be relevant for regional and territorial development processes. In particular, the guidance goes beyond the programming phase and includes examples for the involvement of youth in implementation, monitoring and evaluation.

For more information

European Commission (EC), Directorate-General for Regional and Urban Policy, Borkowska-Waszak, S., Diamantopoulos, S., Lavelle, P., et al., *Youth for a just transition: a toolkit for youth participation in the just transition fund,* Publications Office of the Europeean Union, Luxembourg, 2021. Available at: *https://ec.europa.eu/regional_policy/sources/docgener/guides/youth_just_transition_en.pdf*

COMPETENCE CENTRE ON PARTICIPATORY AND DELIBERATIVE DEMOCRACY

The main aim of the European Commission's Competence Centre on Participatory and Deliberative Democracy managed by the Joint Research Centre (JRC) is to support the development of socially robust policy through citizen engagement.

The Centre supports EU policymaking by:

- Enriching the EU knowledge base on participatory and deliberative practices
- Providing guidance for researchers and policymakers
- Building capacity on methodologies
- Developing dedicated public spaces for citizen engagement
- Experimenting with new methodologies.

The Centre's website contains various examples of participatory and deliberative practices that can serve as a source of inspiration.

For more information

Competence Centre on Participatory and Deliberative Democracy website: *https://knowledge4policy.ec.europa.eu/participatory-democracy_en*

57 *https://knowledge4policy.ec.europa.eu/participatory-democracy_en*; *https://ec.europa.eu/jrc/communities/sites/default/files/science_for_policy_handbook_fin.pdf*

OECD (2020) REPORT ON CITIZEN PARTICIPATION

This OECD report focuses on representative deliberative processes as part of a wider effort by democratic institutions to become more participatory and open to informed citizen input and collective intelligence. It gathers evidence and data that support the idea that citizen participation in public decision making can deliver better policies, strengthen democracy and build trust.

This report provides good practices, principles for deliberative processes and options for institutionalising citizen deliberation.

For more information

Organisation for Economic Cooperation and Development (OECD), *Innovative Citizen Participation and New Democratic Institutions: Catching the Deliberative Wave,* OECD Publishing, Paris, 2020b. Available at: *https://www.oecd.org/gov/innovative-citizen-participation-and-new-democratic-institutions-339306da-en.htm*

CHALLENGE 4: How to build capacity at local, regional and national levels

Adequate capacity at different levels of the governance architecture is a crucial factor for an effective design and implementation of integrated territorial development strategies.

Managing authorities and intermediate bodies at programme level need the capacity to coordinate policies across different ministries or departments and the capacity to delegate tasks to sub-regional and local levels. They also need the capacity to design delivery systems adapted to the specificity of the different territories and territorial instruments (taking into account the need to involve the local level in tasks typically carried out at programme level).

Local and sub-regional administrations and implementing bodies at strategy level need the capacity to think strategically, mobilise local stakeholders and create linkages between them, cooperate with local partners in the design and implementation of strategies and support the development of high quality projects.

Additional capacities are needed at both levels to manage public funding efficiently, to carry out administrative procedures smoothly and without delays and to monitor and evaluate the strategies.

Such capacities often cannot be built in a linear way, simply by delivering content to passive recipients. **Capacity building requires exercise, repetition and coaching.**[58] Therefore, activities need to be long-term (rather than one-off training sessions) and preferably practice-based, targeted at concrete tasks linked with the design or implementation of territorial strategies.

Building appropriate capacity for territorial strategies can be challenging for local authorities in non-urban areas. This does not necessarily mean that they are less capable of developing and implementing territorial strategies.

58 *https://www.nesta.org.uk/blog/capacity-building-gyms-and-just-doing-it*

In non-urban areas, municipalities normally rely on very limited human and financial resources, which make it difficult to take on the additional tasks linked with territorial strategies. Therefore it is important to distinguish between qualitative capacity aspects, which can be addressed by capacity building measures, and quantitative aspects, which requires other solutions such as the creation of joint administrative structures or the provision of support from national or regional authorities.

There are interesting examples of capacity building initiatives at the local level organised by higher levels of government or by associations of local authorities. In Germany, the Small Town Academy provides capacity building for small towns.

Learning from practice

GERMAN SMALL TOWN ACADEMY

The Small Town Academy launched its pilot phase in 2019. It is part of the initiative 'Small Towns in Germany' that bundles, coordinates and expands existing programmes and activities for small town development. The aim is to strengthen the functionality of small towns.

The aim of the Academy is to offer a purpose-built platform for networking, exchange of experiences and advanced training. It targets over 2,100 towns across Germany, mostly in peripheral areas. The pilot phase 2019–22 is used to define suitable content and formats for the launch of the Small Town Academy in 2023. One of the main activities envisaged is the creation of an online platform that gathers existing information and various exchange offers and acts as a virtual collection of tools, materials, events and media targeted at improving the capacities of small towns.

For more information

Small Town Academy website: *https://www.kleinstadtakademie.de*

BBSR, German Federal Institute for Research on Building, Urban Affairs and Spatial Development, *Empowerment of Small Towns through collaboration, consulting and networking Individual publication*, German Small Town Academy – Pilot Phase, Bonn, March 2021. Available at: *https://www.bbsr.bund.de/BBSR/EN/publications/SpecialPublication/2021/german-small-town-academy-pilot-phase-dl.pdf* (EN)

In Italy, the Inner Areas Technical Committee (Comitato Tecnico Aree Interne) has provided important analytical and methodological support to local communities within the National Strategy for Inner Areas (SNAI). In each pilot area of the SNAI, the Committee has organised focus groups and scouting activities on collective services and local development issues, involving local actors and representatives of national Ministries and regional administrations (see Challenge 1 of this chapter).

In Poland, the Association of Polish Cities (Związek Miast Polskich) launched an EU-funded project to encourage municipalities to be involved in EU-funded schemes such as those supported by ITI. The Centre for Advisory Support helps those municipalities that are in the poorest and most remote areas at risk of marginalisation to cooperate with each other and develop strategic plans (Ferry, 2021).

Learning from practice

SUPPORT FOR STRATEGIC DEVELOPMENT IN POLISH LOCAL AUTHORITIES (POLAND)

Poland's National Strategy for Regional Development envisions initiatives to strengthen the capacity of local authorities to participate in strategic development activities. One of these is the Centre for Advisory Support (Centrum Wsparcia Doradczego – CWD), which has the goal of strengthening the administrative efficiency of local governments listed as 'threatened with permanent marginalisation'. These are mostly rural municipalities with an accumulation of negative spatial, social and economic phenomena that lack the administrative capacities to develop strategic projects for EU or domestic funding. A CWD pilot was launched by the Ministry of Development Funds and Regional Policy in 2020 in cooperation with the 16 regional authorities and the Association of Polish Cities. Support was provided to groups of local authorities working together.

For more information

Organisation for Economic Cooperation and Development (OECD), *Innovative Citizen Participation and New Democratic Institutions: Catching the Deliberative Wave,* OECD Publishing, Paris, 2020. Available at: *https://www.oecd.org/gov/innovative-citizen-participation-and-new-democratic-institutions-339306da-en.htm*

Networking with similar organisations can be a very effective **method of capacity building,** through the **exchange of practices and experiences and circulation of knowledge.**

Capacity building initiatives are often promoted by national networks. This is the case, for example, of LEADER/CLLD strategies. LAGs financed by the cohesion policy in non-urban areas can often benefit from the training, advice and exchange opportunities organised by such networks. In Sweden, in the 2014–2020 period, the National Rural Network (NRN) provided capacity building and networking for all LAGs, urban as well as rural, irrespective of the funding source[59].

There are also capacity-building initiatives organised at the European level. These include the service point for rural development, the European Network for Rural Development (ENRD),[60] which offers training and knowledge exchange for LEADER LAGs. Until 2021, the Fisheries Areas Network (FARNET)[61] provided similar support to LAGs funded by the EMFF. From 2022 this service is called Fisheries and Aquaculture Monitoring, Evaluation and Local Support Network (FAMENET)[62] and its support for LAGs under EMFAF continues. These networks provide a wealth of resources for local actors on their respective websites.

While it is important to build capacities of stakeholders at the local level, **the multi-level character** of territorial development strategies also requires **building capacity at higher levels of government.**

When launching CLLD under the European Fisheries Fund, the DG for Maritime Affairs and Fisheries (DG MARE) put in place – as part of FARNET – dedicated support targeting EMFF managing authorities in charge of CLLD. This support includes two

59 *https://ldnet.eu/wp-content/uploads/bsk-pdf-manager/2020/09/SE-CLLD-country-profile-v4.pdf*

60 *https://enrd.ec.europa.eu*

61 *https://webgate.ec.europa.eu/fpfis/cms/farnet2*

62 *https://oceans-and-fisheries.ec.europa.eu/funding/famenet_en*

transnational meetings per year focused on capacity building and peer learning, targeted individual support and a number of guides and other tools available on the FARNET website [63]. Some support on CLLD was also provided to ESF managing authorities within the Transnational cooperation platform through a Community of Practice on Social Innovation, including the preparation of a report on 'The ESF and Community-Led Local Development: Lessons for the Future (2022)[64].

Peer-to-peer exchanges have been shown to be useful to exchange experiences and learn from each other. They can be particularly useful for national or regional programme management bodies, but also for the organisations implementing territorial strategies. The TAIEX-REGIO PEER2PEER initiative provides a support framework for this type of capacity building for different levels of authorities. Since its launch in 2015, there have been over 500 supported exchanges with at least 16 of these focusing on territorial instruments.

Additional resouce

TAIEX-REGIO PEER2PEER

This initiative of the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) facilitates exchanges between authorities and other bodies involved in the management of programmes using the ERDF, the Cohesion Fund (CF) and the JTF.

It supports the sharing of experiences, knowledge and good practices between policy-makers from different EU countries. This exchange between peers allows upgrading administrative capacity in a wide range of areas, including territorial instruments.

Participation is open not only to managing authorities but also to intermediate bodies implementing territorial instruments and other relevant stakeholders. The dedicated website includes a searchable list of previous exchanges, including several on the use of ITIs and territorial instruments more widely.

For instance, in March 2017, the Region of Murcia engaged in a workshop supported by TAIEX-REGIO PEER2PEER initiative. The event was hosted by the European Committee of the Regions in Brussels and involved contributions from the European Commission, the European Investment Bank and European agencies, as well as peer input from Belgium, Italy, Poland and the United Kingdom.

The workshop provided a forum for discussion between local and regional representatives involved in the management of ITI strategies.

For more information

TAIEX-REGIO PEER2PEER repository: *https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/taiex-regio-peer-2-peer*

Similar activities have also been undertaken by policy-makers at their own initiative, such as the study tour organised by the Czech ESF managing authority to learn about CLLD or the study visits organised by the Western Pomeranian LAG network in Poland.

63 *https://webgate.ec.europa.eu/fpfis/cms/farnet2/tools/managing-authorities_en.html*

64 *https://ec.europa.eu/european-social-fund-plus/en/transnational-cooperation-platform/community-practice-social-innovation*

Learning from practice

PEER-TO-PEER EXCHANGE ON CLLD

In the spring of 2017, the Czech ESF managing authority carried out a study visit to Sweden to learn from their approach to using ESF resources as part of their multi-fund approach to CLLD. The trip included visits to actors at three key levels of territorial strategy implementation.

- **Programme level:** this included visits to the Ministry for Rural Development and its agency, the Board of Agriculture, which is the Swedish managing authority for CLLD. This included meetings with the coordinator for CLLD and representatives of the payment, control and monitoring units.
- **Strategy level:** visits were made to three LAGs (LEADER Linné Smaland, Lokalt Ledd Utveckling Halland, LEADER Längs Göta älv), meetings with LAG management.
- **Project level:** here the Czech ESF managing authority visited two projects supported within these LAGs (social enterprise, community garden) plus other ESF projects (integration of asylum seeker women into the labour market, project Gothenburg Development North East).

For the Czech ESF managing authority the study tour was a useful way to compare its approach with others and learn from existing implementation experiences. The issues covered included different ways to support LAGs (e.g. seminars, workshops, thematic days, consultations, study visits), to exchange experiences (focus groups, good practice studies and 'stories', evaluation) and to provide support in dealing with the regulatory framework, whilst not creating additional rules for LAGs.

In addition to the study visit to Sweden, the Czech ESF managing authority also went to Austria and the United Kingdom to learn about support for social enterprises and community centres. Most importantly, the Czech ESF managing authority has been starting to share their experiences, too, for instance with colleagues from Bulgaria and Latvia, and by hosting a study visit for Croatian colleagues.[65]

RECOMMENDATIONS

- Identify suitable governance structures.
  - Create dedicated organisational structures, such as associations, to implement territorial development strategies in rural territories where there is no obvious lead municipality.
  - Where relevant, consider setting inter-municipal cooperation or joint management of municipal functions and services as a precondition for accessing funding for territorial development strategies.
  - Tailor governance arrangements to available capacities. Gold-plating or overly ambitious and complicated governance structures and procedures for territorial strategies should be avoided, as these risk delaying implementation and discourage local involvement.

65 Czech Ministry of Labour and Social Affairs (ESF managing authority).

- ▸ Carefully assess the introduction of new territorial implementation mechanisms on a case-by-case basis. In territories where existing instruments and governance arrangements work, the introduction of new implementation mechanisms may not provide any added value, while it may increase coordination costs.

- Coordinate between actors at different governance levels.
  - ▸ Make sure coordination arrangements are flexible and respect the principle of subsidiarity. Coordination arrangements have to include all governance levels, upstream and downstream of the territorial development strategy. The establishment of councils or committees to ensure coordination at different governance levels has proven to be effective in several countries and should be actively promoted.
  - ▸ Ensure that the management body of a territorial development strategy can perform a range of policy functions; ideally, it can act as a one-stop-shop for beneficiaries and various policy interventions.
  - ▸ Actively promote the creation of institutional spaces for ongoing negotiation and collaboration with private and public actors. LAGs, regional and local development agencies and other intermediary organisations can play a central role in strengthening relations between actors, which is an essential condition for strategies' success.

- Engage relevant stakeholders and citizens throughout the policy process.
  - ▸ Think of regulatory obligations for participation as an opportunity to make constructive use of stakeholder engagement. Participation can help build trust, enhance cooperation and solve conflicts when they arise. Delegating tasks can create ownership.
  - ▸ Carefully plan participatory tools and capacity building measures to enable the involvement of groups that are usually less engaged (e.g. young people). Make a conscious effort to ensure the involvement of such groups.
  - ▸ Ensure participation throughout the strategy cycle. Engagement processes of citizens and other local actors should be carefully designed, taking into account territorial and institutional specificities, tradition of engagement practices and mechanisms to ensure information circulation and follow-ups.

- Build capacity at local, regional and national levels.
  - ▸ Understand and plan for capacity-building activities as longer-term rather than as one-off activities. These should be practice-based, targeted at concrete tasks in the implementation process of territorial strategies.
  - ▸ Ensure higher levels of governance play a key role in empowering and providing support to local actors, helping them build capacities to prepare, manage and monitor integrated, bottom-up and participatory local strategies.
  - ▸ While it is important to build capacities of actors at the local level, make sure that capacity building also happens at higher levels given the multi-level character of territorial development strategies.

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Chapter 4

CROSS-SECTORAL INTEGRATION

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The category of non-urban areas is very diverse, ranging from villages and small and medium size towns to the urban periphery, and includes rural and also remote territories (see Introduction).

The priority themes that characterise non-urban areas, both in terms of challenges and opportunities, **are multiple and varied,** pertaining to geographic, demographic, social, economic and environmental dimensions. They are often interlinked with each other. Given this complexity, it is worth asking which priorities are most tackled by territorial development strategies.

STRAT-Board, the JRC database that collects information on all territorial strategies funded under the EU cohesion policy in 2014–2020, gives an insight into the themes addressed by non-urban strategies. In the past programming period there were two distinct territorial instruments to support non-urban strategies: Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD).

CLLD strategies could be programmed under one thematic priority, and as such it is challenging to identify the themes addressed in these strategies. The non-urban ITI strategies cover a wide range of investment priorities, with a particular focus on natural and cultural heritage (in 37 % of the strategies); energy (in 36 % of the strategies); health and social inclusion (in 28 % of the strategies); ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health (in 27 % of the strategies); mobility and transport (in 27 % of the strategies).

When looking at keywords used in the description of the strategies, several terms appear more consistently in comparison to the Sustainable Urban Development (SUD) strategies – regardless of how often they are used. These include: jobs and skills, health, social inclusion, integration of migrants and refugees, research and innovation, youth, social innovation, smart specialisation. These keywords are particularly frequent in CLLD strategies, whereas their distribution is similar in both non-SUD and SUD ITI strategies. In any case, terms linked to social inclusion, jobs and skills as well as to innovation (research and innovation, social innovation and smart specialisation) are more common and relevant in non-SUD strategies.

Territorial development literature and European policy documents such as the Territorial Agenda 2030, the new Leipzig Charter and the 'Communication on the long-term Vision for the EU's Rural Areas' have argued that **these challenges can only be effectively tackled using an integrated place-based approach.** In fact, integration has been and still is a key dimension of the EU cohesion policy.

Learning from data

Within this context, integration is understood as the coordination between policy areas (cross-sectoral integration), between different levels of government and stakeholders (multi-level and multi-stakeholder governance) and across different territorial scales and areas (territorial integration) (Fioretti et al., 2020). Cross-sectoral integration refers to this first dimension of integration where society and government is organised in policy sectors of expertise, decision-power and funding. Cross-sectoral integration aims at breaking these 'silos'.

The benefits of implementing a cross-sectoral approach are well-studied and generally acknowledged across Europe. Overall, it brings long-lasting benefits and results at the local level by ensuring: coherence in policy-making principles and objectives among different policy sectors in public administrations; alignment in priorities and timeframes; collaboration among different departments and across levels to co-design and implement policies; and the anticipation to and action against possible negative externalities (Fioretti et al., 2020).

One important reason for the implementation of a cross-sectoral approach in non-urban areas is based on the diversity of these areas, to the extent that it could be said that there are no two rural areas alike. These areas could vary in terms of their natural and climatic conditions, geographic features, historic and cultural developments, demographic and social changes, national and regional specificities and economic prosperity. This diversity calls for locally designed responses and **the appropriate policy-mix corresponding to each territory's specific needs and possibilities.** It also means that territorial development strategies should address non-urban areas according to their individual characteristics and in relation to their environment (European Commission, 2021a).

The cross-sectoral approach creates and strengthens the links between different sectors of the local economy and different stakeholder groups in the territory to multiply the results of policy actions. This is of particular relevance in non-urban areas, where there is limited availability and scale of development drivers. The aggregation and coordination of cross-sectoral efforts to achieve multi-sectoral benefits help multiply the results, which would not happen if done through individual sectoral action. This multiplicity of development effects drives more efficient and sustainable development in rural areas. Finally, it is important to note that the degree of ambition in the implementation of cross-sectoral approach will vary across territories and will be tuned to the contextual situation (its social, economic and environmental dynamics). It should be implemented to the extent that it matters for the territory in order to achieve the benefits outlined above.

Adopting a cross-sectoral approach successfully can be challenging for policy makers. In this respect, this chapter focuses on three main policy challenges, proving examples, resources and recommendations for addressing each.

The first challenge relates to **understanding the newly introduced EU cohesion policy structure,** tools and requirements to support a cross sectoral approach. The 2021–2027 cohesion policy regulations stress the importance of the cross-sectoral approach and define three territorial tools that should be based on territorial and local development strategies. These strategies should include a description of an integrated approach to address the identified development needs and boost the potential of the area[66]. To address this first challenge, the chapter will present key aspects of the new EU cohesion policy framework and

66 Regulation (EU) 2021/1060 (CPR), Article 29.1(c)

explore the opportunities it offers to stimulate effective cross-sectoral integration in territorial strategies.

As a second challenge, this chapter will zoom in on **the elements that are crucial in the design and implementation of an effective cross-sectoral approach** in territorial strategies. Key steps of the design phase include: a thorough diagnosis of development potential and a deep understanding of how different questions are interconnected; a sound collaboration between different agencies and levels, including the citizens level; and a clear structuring of foreseen actions under a common logical framework that highlights the interlinkages and complementarities among them.

Challenges for working in a cross-sectoral way are not only apparent at the level of strategy design, but also in the **implementation phase and in particular at the individual project level.** A more integrated project can contribute to several objectives at the same time, be more inclusive and have a larger impact. To increase the chances of having integrated projects, the phase of project selection and the establishment of selection criteria play a key role. Inspiring examples of integrated and interdisciplinary projects are also promoted by the New European Bauhaus initiative. In a final section the chapter will look deeper into ways to promote an integrated cross-sectoral approach at project level.

In this section we address the following challenges:

- *How to use the new EU cohesion policy framework to stimulate effective cross-sectoral integration in territorial strategies.*
- *Which elements to take into account in the design of an effective cross-sectoral territorial strategy.*
- *How to go one step further and promote an integrated approach at project level.*

CHALLENGE 1: How to use the new EU cohesion policy framework to stimulate effective cross-sectoral integration in territorial strategies

In the framework of the EU cohesion policy 2021–2027 programming period, **integrated territorial development has gained more importance** in comparison to the previous period, in particular for non-urban areas. Several changes are noteworthy, and understanding the main elements and features of the new policy framework is key for making use of the opportunities it offers to support cross-sectoral integration. First, minimum requirements have been introduced for integrated territorial and local strategies in the Common Provisions Regulation. These requirements apply to several European funds at the same time. These integrated territorial and local strategies can be delivered through three territorial tools: (a) Integrated Territorial Investments (ITI), (b) Community-Led Local Development (CLLD), (c) any other territorial tool that supports initiatives designed by a Member State.

Using policy objectives for supporting cross-sectoral integration

Another policy change for the 2021–2027 programming period is the transformation of 11 thematic objectives (of the 2014–2020 period) into 5 more broadly defined Policy Objectives (POs). In the new programming period, **Policy Objective 5** (PO5) 'a Europe closer to citizens' can only be implemented through integrated territorial or local strategies. These strategies can combine multiple themes from the four other cohesion policy objectives, in addition to the ones that are specific to PO5. In addition, there is a specific objective under PO5 to target integrated development in areas other than urban areas[67]. This creates the opportunity to develop strategies that address multiple challenges and serve multiple objectives, integrating hard and soft investments in these particular territories. Under this policy context, how can new opportunities be utilised and what should managing authorities be aware of?

First, PO5 offers a tremendous opportunity to support cross-sectoral strategies that are based on local needs because, in principle, **all actions can be funded under PO5** if they are necessary for implementing an integrated territorial or local strategy.

Secondly, the new policy objective can be combined with support from **other policy objectives** and even **combined** with multiple EU funds **through the following territorial tools: ITI, CLLD or other territorial tools.** In the particular instance when CLLD is supported by multiple funds, managing authorities can decide to designate a lead fund to significantly simplify the procedures for working with multiple funds. The other funds involved will also follow the procedures of the lead fund (see Chapter 5, Funding and Finance).

Third, the choice of integrated territorial tools that can be supported go beyond ITI or CLLD and include other territorial tools that are already used in a Member State as long as they fulfil the same minimum requirements[68]. There are many examples in Europe of national approaches towards cross-sectoral territorial strategies, such as the 'Plan Loire IV 2014–2020' in France.

Learning from practice

PLAN LOIRE IV 2014 –2020. A RIVER BASIN STRATEGY (FRANCE)

Based on the 'Water law' of 1964 and the 'Mountain law' of 1985, France has organised functional territories (see Chapter 2, Territorial Focus) as river basins or mountain ranges with dedicated strategies. These functional areas typically cover (parts of) several administrative regions. From 2007, these functional area strategies have been the basis for the development of Interregional Operational Programmes (POI in French) – or priority axes within programmes. Between 1994 and 2013, three strategies for the Loire River basin have been implemented. Thereafter, a new plan entitled 'Plan Loire Grandeur Nature 2035' was developed based on previous achievements and with a long-term horizon for 2035. The 'Plan Loire IV 2014–2020' is the practical 7-year implementation strategy of this long-term plan and links with the POI Basin de la Loire of the 2014–2020 programming period.

67 Regulation (EU) 2021/1058, Article 3.1 (e) (ii)

68 Regulation (EU) 2021/1060, Article 29.1

The Plan Loire IV consists of actions that can be funded in the entire river basin by the European Regional Development Fund (ERDF) together with national funding through contractual arrangements between the French State and its regions ('Les contrats de plan État-Région'). At the same time, there are additional local projects funded in the same territory by other regional or European funding sources.

The Plan Loire IV has four rather broad and interlinked objectives: reduce the negative consequences of flooding, improve the aquatic state of the river basin, promote natural and cultural heritage in the area and develop, enhance and share knowledge of the river basin. Part of these objectives were supported by the POI while others were financed by the State, the regions or other institutional actors. Actions that contribute to the strategy can be labelled as such if they adhere to a Loire Charter.

Therefore, well-established national instruments such as river basin strategies can be supported by European funds and represent good examples of potential 'other territorial tools' that can be supported in the new programming period.

For more information

PLAN LOIRE, Grandeur Nature: *https://www.plan-loire.fr/home.html*

Interactions between the managing authority and local authorities

In order to ensure a good balance of local needs and the higher-level objectives of the EU cohesion policy programmes, **interaction between the managing authority and the authorities responsible for the cross-sectoral strategy is necessary.** For example, in Bretagne (France) in 2014–2020, the ITI strategies developed were the result of a dialogue between the managing authority of the regional programme and the local administrations organised in 'Pays'[69]. The mutual collaborations allowed for finding the right match between the themes dictated by the operational programmes and the needs of the territory, resulting in sufficient thematic integration. Also, given the flexibility to support cross-sectoral territorial strategies in the new programming period, the exchange between the managing authority and the local level is crucial for ensuring the fulfilment of certain eligibility requirements.

Integration under a single policy objective

Having broader policy objectives raises the question of whether integrated territorial and local strategies still need to receive support from more than one of these policy objectives in order to be considered cross-sectoral. This question is most relevant for programmes that do not include PO5. The answer is that **strategies that are supported under a single policy objective can still be integrated and cross-sectoral.** As such, these aspects refer more to a mind-set and approach focused on co-designing, coordinating and supporting complementary interventions for various sectors and thematic areas (rather than on the strict division

69 'Pays' are an administrative level in between the scale of the department and that of the agglomeration of municipalities, see *https://www.insee.fr/fr/statistiques/2386251*

of policy objectives) with the aim of optimizing policy delivery for its end-users. The pilot 'A Illa de Arousa' implemented under the Clean Energy for EU Islands initiative provides a good example of the integrated and cross-sectoral nature of interventions planned to addresses a specific thematic challenge (energy) while also addressing other local objectives in fields such as social, education, business and transport and mobility.

Learning from practice

A ILLA DE AROUSA – A VISION FOR 2030 (SPAIN)

The Clean Energy for EU Islands initiative was created by the European Commission to facilitate the transition of European islands to renewable energy. At the beginning of 2019, the small island of Arousa (Spain) with less than 5000 inhabitants was selected as one of the 26 European islands participating in this initiative to draft its 2030 Agenda and prepare the technical and financial energy efficiency projects at different levels and sectors.

After one year of work, the Arousa Transition Team presented a roadmap for the process of change towards clean energy. The roadmap was designed by and for the local community. In their vision for 2030, the island wanted to promote a new cleaner and more sustainable energy model, also for future generations, with the ultimate goal of preserving the environment and improving the quality of life of people. This vision was developed taking into account the following perspectives and foci:

- A social perspective to recover the feeling of belonging to a community.
- A focus on education involving all agents of educational action (school, teachers, students, families).
- An economic perspective, linking with the productive sectors of the island (fisheries, tourism).
- A focus on mobility and transport, both within the island and in connection with the mainland.

Projects and actions proposed are structured in key pillars: electricity, mobility, energy efficiency, education and ecosystems. Each pillar includes a list of actions that identify the agents that will carry them out.

This is an example of how a strategic plan apparently focusing on a specific policy area (energy) can still engage all stakeholders and sectors in a given place and define actions with benefits across sectors. In the new programming period, most actions planned under this strategy could also fall under Policy Objective 2 'a green Europe', which does not limit its cross-sectoral nature.

For more information

Clean energy for EU islands webpage: *https://clean-energy-islands.ec.europa.eu*

Clean energy transition agenda: A Illa de Arousa:
https://clean-energy-islands.ec.europa.eu/node/845

CHALLENGE 2: Which elements to take into account in the design of an effective cross-sectoral territorial strategy

A first step in designing a cross-sectoral strategy is **to know what challenges the strategy needs to address and what the potential of the territory at play is.** In other words, the process begins with an analysis of the development needs and opportunities of the territory. A thorough understanding of development needs and potentials implies recognising their multidimensional nature (how different aspects are related to each other), and harnessing these through a cross-sectoral integrated plan.

Both the cohesion policy definition of a territorial strategy[70] and a local development strategy[71] stress this first stage of strategy design. For uncovering these local challenges and potentials and understanding their mutual relationship, combining external and local knowledge is most effective. This implies on the one side **using data at the most granular (local) level to run an evidence-based territorial analysis.** On the other side, it implies a participatory approach to strategy design, as often non-urban communities have strong ties, knowledge and creative ideas that can be unleashed.

Participation of local stakeholders and citizens in the design of a local strategy is more enshrined in the CLLD method. ITI strategies are often public administration-led and at a larger territorial scale. These strategies might need to deploy additional efforts to uncover local knowledge.

Be careful!

The mutual relationship between innovation and integration

Innovation can be a catalyser for rural change; touching on many different policy areas can foster cross-sectoral strategies. This is the main premise of the Smart Villages approach. In Smart Villages, local rural communities implement innovative actions (in many cases, harnessing the potential of digital technologies) to address challenges and seize new opportunities through an agreed strategic action plan (European Commission, 2020). Making this a success in a rural context requires the engagement of local stakeholders from different sectors in the innovation processes. In addition, investments and support from outside the rural community are often needed for the implementation of the actions co-designed by the communities. For instance, the competence to act on certain crucial policy domains pertain to regional or national public administrations (e.g. investments in broadband infrastructure). Also, rural communities may lack the necessary thematic and technical expertise to design and implement the innovative solutions (e.g. related to specific technological solutions such as the Internet of Things–IoT, Big Data, artificial intelligence, etc). This calls for close multi-level co-operation in non-urban strategies and shows how questions of cross-sectoral integration and governance are strictly interlinked. Ostana is an interesting example of how local and external knowledge can be translated into a cross-sectoral strategy that boosts local innovation.

70 Regulation (EU) 2021/1060, Article 29.1(b)

71 Regulation (EU) 2021/1060, Article 32.1(c)

Learning from practice

SMART VILLAGES STRATEGY OF OSTANA (ITALY)

The Municipality of Ostana is one of the smallest villages in Italy. It is an Occitan multi-centric settlement facing the Monviso mountain and located in the Piedmont region, about 60 km southwest of Turin and about 45 km northwest of Cuneo. The village of Ostana is inhabited by only 89 residents, a large majority of which have been living in Ostana since the 1980s when a process of re-settlement slowly started and contributed to creating a cohesive local community. During the summertime, its population grows to over 500 inhabitants and visitors.

Being a very small village can sometimes mean having a close-minded vision of the future. For Ostana this is far from being true. Over the decades, the municipality and its community have opened themselves to external and forward-thinking visions for the construction of a sustainable future for its residents. The community whilst preserving traditions became itself a core of innovation – sometimes foregoing national trends by welcoming asylum seekers in 2017, promoting recovery and valorisation of traditional architecture, implementing smart solutions for renewable energy, or setting up a social enterprise etc. Over the years, Ostana became a collective project about living in the Alps in a contemporary and 'glocal' way and today it is recognised as a collaborative model of alpine regeneration and resilience. For example, as part of the Viso A Viso project, residents are collaborating with researchers and young entrepreneurs involved in tourism, agriculture and cultural fields.

Recently, in 2021, Ostana developed an integrated smart strategy to address its demographic decline with innovative cross-sectoral interventions related to mobility, housing and culture. The Smart Villages Strategy of Ostana is the product of local input and experiences gained and networks established from outside the valley. In particular, the Smart Rural 21 project financed by the European Commission provided support for the design of the strategy, as well as for its implementation (smart mobility solutions and a co-developed call for temporary residency). In addition, it helped identify possible innovative funding schemes and supported knowledge sharing at national and European level.

For more information

Ostana, Smart Rural 21: *https://www.smartrural21.eu/villages/ostana_it*

Knowledge and capacity support for strategy design at higher levels

Often more **specialised thematic knowledge and capacity is available at higher levels of government.** This makes them ideally suited to support lower administrative levels (particularly in rural areas) with advice and tools to design cross-sectoral strategies. The German Federal Ministry of Transport and Digital Infrastructure, for instance, set up a programme to assist 21 pilot regions from 2011 to 2015 in the provision of basic public services by autonomously developing a so called regional strategy for the provision of public services. A cooperative approach was used to design the strategies, but the regions also had to follow a standardised phase model with basic modules like a small sized population forecast, accessibility modelling, scenarios, cost-benefit analysis and needs assessments (BMVI, 2016).

At EU level, free resources are available that can help clarify, with comparative data, what the challenges and opportunities are in a territory, and allow for comparing these to other similar territories in Europe. An important one is the Urban Data Platform Plus[72] of the European Commission. This is an online tool that provides access to information on the status and trends of places across the EU – cities, regions and local areas, including non-urban areas – through a unique collection of official and experimental indicators covering socio-economic and environmental aspects. Moreover, the Urban Data Platform Plus also provides a set of policy learning tools on territorial integrated strategies and on the localisation of Sustainable Development Goals. Another free resource is the **European Spatial Planning Observation Network** (ESPON) Interreg programme.

Additional resouce

ESPON PORTAL

The ESPON programme is an Interreg programme that provides detailed territorial knowledge for other cohesion policy programmes, Member States and regional and local authorities. The programme has developed a portal that is providing a single access point to ESPON data, interactive maps and dashboards, atlases, apps and data stories. All these tools are powered by the ESPON Database and allow for comparisons, benchmarking and interactive analysis that can be helpful for building a territorial strategy. A selection of relevant ESPON apps include:

- **ESPON REGICO app** (*https://regico.espon.eu*). This is an interactive web application that can be used to compare regions in multiple contexts. The tool is meant to help regional and national policy makers but also supra-national institutions to understand a region's position compared to its neighbours, within a country, a specific regional setting or within Europe.
- **SDGs benchmarking app** (*https://sdg.espon.eu*). This tool aims at providing support to governments at all levels in localising and achieving the UN Sustainable Development Goals (SDGs). It is a simple, intuitive and user-friendly web application that helps policy makers turn a large volume of indicators into insights related to attaining the SDG goals.
- **ESPON FUORE app** (*https://fuore.espon.eu*). This tool provides hundreds of estimated demographic and socio-economic time series indicators for several types of functional areas. The web tool allows for quickly analysing and benchmarking any of the functional areas by means of interactive maps and charts.
- **ESPON Database** (*https://database.espon.eu*). This is the backbone of the ESPON Portal. It gathers, manages and disseminates regional and local statistical (as well as geospatial) data originating from ESPON projects as well as other regional databases such as Eurostat – European statistics. The database makes data available in a user- and machine-friendly manner, ready for direct use in analysis and policy work.

For more information

ESPON Policy and Knowledge Platform: *https://portal.espon.eu*

72 *https://urban.jrc.ec.europa.eu/?lng=en&ctx=udp*

Coordination structures

Designing a cross-sectoral strategy demands interdisciplinary input and the collaboration of various government agencies, including at times those from different government levels. This is even more challenging when seeking the right policy mix and combining different funding sources. In fact, within the cohesion policy structures different funds are more suitable for different things. For example, the ERDF and Cohesion Fund can be suitable for funding infrastructure and businesses, while the European Social Fund Plus (ESF+) can better support skills development and social inclusion. The choice of funding mechanisms (and their combination) should be in line with the integrated objectives of the strategy and the administrative capacity available for managing funding (see Chapter 5, Funding and Finance).

When there are different actors around the table, such cooperation (especially when it is new) requires trust, coordination and leadership for it to work. In the case of the Spanish ITI Castilla-La Mancha, the ERDF, European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD) worked together for the first time to address the needs of a very sparsely populated area. An independent assessment of this ITI concluded that the real added value of the ITI lied in the change it has brought about in the way of working together under the umbrella of an integrated strategy (Paton, 2020).

Additional resouce

DG REGIO (2015) SCENARIOS FOR INTEGRATED TERRITORIAL INVESTMENTS

The 'Scenarios for Integrated Territorial Investments' publication by the Commission's Directorate-General for Regional and Urban Policy (DG REGIO) describes four scenarios in which Integrated Territorial Investments can be used. Although these scenarios are hypothetical, they are based on how ITI strategies are implemented in various Member States and regions. Each scenario explains the context, rationale, funds and tools used, coordination and management structures, type of actions supported, monitoring and reporting arrangements. Even though the regulations have changed in the 2021–2027 period, the intervention logic of the different EU cohesion policy programmes and why it makes sense to combine them in cross-sectoral strategies remains the same.

Although all four cases describe cross-sectoral strategies and provide inspiration for practical arrangements that need to be put in place for a successful ITI strategy, one case in particular plays out in a rural context: 'Sub-region Z'. This case assumes that this region has challenges such as lack of employment opportunities, low access to public services and a lack of capacity at local municipal level. At the same time, many small-scale initiatives are taking off to try and change things for the better.

The case describes how the ERDF, the EMFF and the EAFRD work together in the ITI as well as how links are made with local (fisheries) action groups under CLLD. One table shows in a detailed way how measures financed by the EAFRD regarding basic services and village renewal in rural areas and the EMFF concerning the reducing of the impact of fisheries on the maritime environment is combined with complementary investments under ERDF in the waste, water and environmental sector.

For more information

European Commission (EC), Directorate-General for Regional and Urban Policy, *Scenarios for Integrated Territorial Investments,* Publications Office of the European Union, Luxembourg, 2015a. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/reports/2015/scenarios-for-integrated-territorial-investments*

To be effective, **an integrated territorial strategy demands a strong coordination structure.** Often a territorial strategy in its different forms (CLLD, ITI and other tools) has a joint decision-making body, supported by a joint secretariat that oversees the more technical aspects. The case of the Strategisch Actieplan voor Limburg in het Kwadraat (SALK) strategy in Belgium is an interesting example of how this can be organised in an integrated territorial strategy that also receives financial support from different EU funds.

Learning from practice

STRATEGISCH ACTIEPLAN VOOR LIMBURG IN HET KWADRAAT (SALK) AND THE ITI LIMBURG STRATEGY (BELGIUM)

When the car manufacturer Ford (a major employer in the region of Limburg Belgium) announced the closure of its factory in 2012, there was widespread recognition that an integrated development approach was needed to address the challenges faced by the province of Limburg (Belgium). Upon the initiative of the regional government of Flanders, a socio-economic strategy for the province was developed and approved in 2013. In comparison to previous development strategies in the Province, the SALK strategy and the related ITI Limburg offered a more integrated approach across different policy areas, and as such they took into account the economic foundations of the region and provided a broad basis for supporting the joint conditions for growth. Actions were centred on employment, education and training, reconversion of industrial sites, speeding up infrastructure investments, attracting new businesses, supporting innovation in a variety of themes (notably sustainable energy), social economy, social housing and tourism. The larger SALK strategy had multiple sources of funding, from local, regional to European level. The ITI Limburg was supported by ERDF and ESF and had a narrower focus than the overall strategy.

The governance of the SALK strategy was carried out by pre-existing institutions at the regional and provincial levels. A task force was established, bringing together representatives from regional, provincial and local governments as well as the main socioeconomic partners of the area. The task force was responsible for the implementation of the strategy. The governance framework of the ITI Limburg was composed of the regular programme bodies (i.e. managing authority, secretariat, provincial contact point and monitoring committee) but it was, to a certain extent, integrated with the SALK governance model through the ITI steering group. The ITI steering group had the same membership as the SALK task force.

The 2017 DG REGIO study 'Integrated territorial and urban strategies: how are ESIF adding value in 2014–2020?' pointed out that the introduction of the ITI and SALK created new informal structures that brought together new partners around the sectoral business cases identified in SALK. As such, the territorial approach broke down sectoral silos.

For more information

Van der Zwet, A., Bachtler, J., Ferry, M., McMaster, I., Miller, S., (2017) Integrated territorial and urban strategies: How are ESIF adding value in 2014-2020?, 2017. Available at: *https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/integrated_strategies/integrated_strategies_en.pdf*

STRAT-Board strategy fact-sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=BE-011&fullscreen=yes*

Spatial planning tools can play the key role in ensuring EU cohesion policy funding works in synergy with other sectoral policies to bring positive impact. However, the cross-fertilisation of cohesion policy and spatial planning is often very weak. Spatial planning in countries and regions is too often poorly prepared to assist with territorial coordination of investments. Enhanced **cross-fertilisation** of cohesion policy and an invigorated spatial planning system offer great potential to embrace the integration of sectoral policies and more adaptable policy tools at national, regional and local levels (ESPON 2021).

Combining existing strategies

Often, territories already have sectoral strategies in place. **Designing a cross-sectoral strategy is therefore often an exercise in upgrading and combining existing strategies** rather than one starting from scratch. In the case of the French Region 'Grand Est', sectoral strategies and schemes for local territories piled up. In 2019, the Region took the decision to set up a Territorial Pact Grand Est: Transversal support and tailor-made support for territories. This is a unique 'contract' between the State, region and sub-regional territories where all contractual obligations are gathered within one document that includes an integrated, but adaptive, strategy, a list of priority projects and an explanation of the governance system (Herth, 2021).

Be careful!

The 2014–2020 cohesion policy period has shown that the construction of an integrated cross-sectoral strategy is a time-consuming process. Especially when it is done for the first time and involves the engagement and participation of new actors and the implementation of new procedures. This is sometimes challenging when considering the time needed to implement actual interventions. In general, this is less an issue if a strategy already exists and working procedures are already in place. In the 2021–2027 programming period, the new regulations mention the possibility of using existing strategies as a basis[73]; it calls for the authorities that design the strategies to work closely with the managing authorities in order to define the scope of the strategy that can be supported by an EU Programme[74] and allow the managing authorities to support the preparation and design of territorial strategies[75] (and not only the projects within the strategy). In the case of CLLD, this support for capacity building and preparatory actions assisting the design and future implementation of the strategy is required for the managing authorities[76].

73 Regulation (EU) 2021/1060 (CPR), Article 29.2

74 Regulation (EU) 2021/1060 (CPR), Article 29.4

75 Regulation (EU) 2021/1060 (CPR), Article 29.6

76 Regulation (EU) 2021/1060 (CPR), Article 34.1(a)

Territorial strategies can vary significantly. Some are documents that describe a broad vision for a territory and others are detailed works with defined objectives and precise actions. What they have in common is that they all ultimately want to see concrete change on the ground. There are several publications that analyse territorial strategies and their success-factors. Two interesting ones are linked to the Territorial Agenda policy process.

Additional resouce

SUCCESS FACTORS IN TERRITORIAL STRATEGIES: TWO PUBLICATIONS OF THE TERRITORIAL AGENDA

The policy documents Territorial Agenda 2020[77] and Territorial Agenda 2030[78] were accompanied by publications that show integrated place-based strategies in Europe that implement the principles of the Territorial Agenda.

DG REGIO (2015) TERRITORIAL AGENDA 2020 PUT IN PRACTICE

The first publication, 'Territorial Agenda 2020 put in practice' (developed by CSIL for DG REGIO in 2015), describes the analysis of 21 cases and their success factors. The document provides a summary table elaborating on the place-based features in each of the case analysed. This includes: horizontal coordination, multi-level governance, territorial dialogue, integrated functional areas and evidence informed policy making. The report summarises some key findings as follows:

1. Valuing and reviving territorial identity are unique assets and the starting points of every place-based initiative.
2. Ambitious strategies naturally expand beyond geographical and sectoral boundaries.
3. An open governance system is the instrument to ensure a smooth implementation of the initiative.
4. A strong leading capacity is needed to steer the process and ensure a long term commitment to results.
5. Experimenting and learning-by-doing are natural ingredients in place-based approaches.

BMI (2020) IMPLEMENTING THE TERRITORIAL AGENDA 2030

The second publication, 'Implementing the Territorial Agenda 2030' (developed by the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) in 2020), describes 52 European territorial strategies. The strategies are both urban and non-urban and often supported by Interreg programmes. It provides information and data on context indicators for each strategy such as the link with the Territorial Agenda 2030 priority, location, area type, administrations involved, policy framework used, timescale, etc. It also provides a concise description of each strategy and the benefits achieved by using a territorial approach.

The report gives 'take-home' messages for practitioners based on the 52 examples. They all recognise that the territorial approach is a dynamic procedural roadmap rather than a static, thematic framework. The report also provides key principles and practical steps required to design and implement territorial

77 *https://ec.europa.eu/regional_policy/en/information/publications/communications/2011/territorial-agenda-of-the-european-union-2020*

78 *https://territorialagenda.eu*

approaches. Rather than depending on the investment of new, substantial financial or administrative resources, these often involve a change in approach to identify and draw on existing territorial potentials.

For more information

European Commission, Directorate-General for Regional and Urban Policy, *Territorial Agenda 2020 put in practice: enhancing the efficiency and effectiveness of Cohesion Policy by a place-based approach: volume I – synthesis report,* Publications Office of the European Union, Luxembourg, 2015b. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/studies/2015/territorial-agenda-2020-put-in-practice-enhancing-the-efficiency-and-effectiveness-of-cohesion-policy-by-a-place-based-approach*

Federal Ministry of the Interior, Building and Community (BMI), *Implementing the Territorial Agenda 2030,* BMI, Berlin, 2020. Available at: *https://territorialagenda.eu/wp-content/uploads/TerritorialAgenda_OngoingExamples_201109.pdf*

CHALLENGE 3: How to go one step further and promote an integrated approach at project level

The implementation is a critical junction in the life-cycle of a strategy – design, implementation, evaluation. However, strategies often remain as 'plans on paper' with no or disappointing implementation after their approval. For successful implementation of an integrated territorial strategy, objectives should be translated into projects that contribute to achieving (part of) these objectives. In many instances, the **combined action of a number of projects supported by the strategy** is what brings to reality the value of the integrated ambition of the strategy. However, a **project within the strategy can be integrated too.**

Combining hard and soft projects

First, the ambition of a cross-sectoral strategy can be achieved if the individual projects that make up the strategy are complementary. As such, the i**nterlinkages between the individual actions and projects** are crucial. One aspect of interlinked projects within a territorial strategy is a **balance between investments in infrastructure** (sometimes referred to as 'hard' investments) **and investments in skills, capacity, inclusion** (sometimes referred to as 'soft' investments). Logical sequencing of different operations can ensure that community engagement and capacity building take place before investing in infrastructure, which can be followed by skills development to ensure its use and benefit for the local community. These could also be actions included in an integrated project.

STRATEGY OF THE UNESCO NATURAL HERITAGE SITE (GREECE)

Learning from practice

The ITI strategy for the UNESCO natural heritage site involves three mountainous areas located in inner part of the island of Crete, Greece: Psiloritis Natural Park, Sitia Natural Park and National Park of Samaria – White Mountains. All together the three areas include almost 63 000 inhabitants in 14 municipalities. Although being far from the most touristic coast, the authenticity and the natural beauty of these places attract a number of tourists every year. The biodiversity that characterizes these mountains granted them the UNESCO recognition before any other archaeological site did in Crete.

The three parks were acting independently, with three public-private agencies coordinating the development of the sites and keeping up with UNESCO obligations. The ITI represented the opportunity to join forces in a common project of development that saw the involvement of the region (as coordinator), the three agencies and the local authorities and communities. The strategy has gathered around EUR 14 million, with all the EU funds coming from ERDF. The strategy was structured along four axes:

1. Creation and promotion of a product 'UNESCO Areas of Crete'.
2. Upgrading the anthropogenic environment and tackling climate change.
3. Enhancing entrepreneurship.
4. Fostering the governance structure.

The strategy managed to link the four axes in a common integrated process. The aim was to have a strong communication plan and to enhance the economic development of the whole area, turning it into an international attractor for eco-cultural tourism with a unique brand. The ITI was thus the kick-start for a new step in a longstanding process, aimed at upgrading the local economy, based on small handicraft activities and services, by creating high-level tourist-related jobs in marketing, IT and the green economy.

Soft and hard projects coexisted, both aiming at integrated development. In this respect, initiatives were supported to i) build route and infrastructural connections (hard investments) between the villages to both enhance tourism hospitality and the quality of life of local communities, and ii) create a brand (soft project) coupled with the implementation of a governance network capable of representing the multiple needs of these territories.

For more information

STRAT-Board strategy fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=EL-061&fullscreen=yes

COMMUNITY-LED LOCAL DEVELOPMENT STRATEGY OF KRAJNA AND PALUKI (POLAND)

Learning from practice

In Poland, key decisions on the use of CLLD are taken at the regional level. The region of Kujawsko-Pomorskie, in north-central Poland, decided to make full use of all four ESI Funds (ESF, ERDF, EMFF and EAFRD) in CLLD and to allow multi-funded strategies.

The Krajna and Paluki LAG is situated in the western part of the Kujawsko-Pomorskie region. The LAG planned to finance its local development strategy from three ESI Funds: the ERDF (EUR 2.5 million), the EAFRD (EUR 1.8 million) and the ESF (EUR 0.7 million). This allowed to combine soft and hard investments.

The ESF was used to address key social challenges in the region, namely unemployment and poverty, 'soft measures' to promote social integration among individuals and families at risk of poverty or exclusion (e.g. self-help clubs, community centres, youth clubs, job clubs, training courses). It also supported activities to strengthen community organisation, including mutual help initiatives, and to develop local leaders and animators.

The social integration component of the local strategy was coordinated with the other components and financed through other EU funds. In particular:

- 'Improving infrastructure for social inclusion', through 'hard' investments funded from the ERDF. One of the eligibility criteria here is for the infrastructural investment to be linked to an ESF-funded social integration project.
- 'Developing business in the Notec Valley', financed by the EAFRD. The LAG also considered the possibility of financing business development with the ERDF, but in the end decided not to go for two separate funding sources to avoid unnecessary complexity for beneficiaries.

For more information

FARNET, *Starting CLLD implementation in practice,* Brussels, 2016. Available at: *https://webgate.ec.europa.eu/fpfis/cms/farnet2/sites/default/files/publication/farnet-g10_starting-clld-implementation-in-practice_en.pdf*

STRAT-Board strategy fact-sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=PL-CLLD-010&fullscreen=yes*

Integrated projects

An integrated project in itself can contribute to several objectives at the same time, be more inclusive and have a larger impact. For example, Smart Villages projects, which are sometimes part of larger CLLD strategies, are encouraged to be integrated and use innovation to address different challenges in rural areas.

Traditionally in the **EU cohesion policy** the emphasis has been more on cross-sectoral strategies than on integrated projects. In the 2021–2027 programming period this is changing. For the first time there is an **output indicator for measuring the number of integrated projects** in a programme, which involve different sectors, stakeholders or administrative territories (European Commission 2021b) (see Chapter 6, Monitoring).

In the EU cohesion policy's 2021–2027 programming period, an integrated approach at project level can be inspired by the New European Bauhaus initiative that stresses that projects should integrate sustainability, inclusiveness and aesthetics in order to bring the European Green Deal to the places where Europeans live.

Additional resouce

NEW EUROPEAN BAUHAUS: AN INSPIRATION FOR INTEGRATED PROJECTS

The New European Bauhaus expresses the EU's ambition of creating aesthetic, sustainable and inclusive places, products and ways of living. It aims to translate the goals of the European Green Deal by matching sustainability with aesthetics that is inclusive and affordable for all. It aims to improve Europeans' lives in an innovative and human-centred way by also improving buildings, public spaces and services.

As a transdisciplinary initiative, the New European Bauhaus draws from a collective dialogue between art, architecture, heritage, culture, social inclusion, science and technology. The creation of such dialogue can only happen bottom-up, when people from different backgrounds and areas think and work together in a participatory way. That is why everybody has been able to contribute with ideas, visions, examples and challenges for the New European Bauhaus during its prolific co-design phase.

During the design phase of the initiative, the New European Bauhaus Prizes competition was used to gather ideas and projects through a bottom-up process. The number of responses was impressive, with more than 2000 applications received from throughout the EU within the one-month deadline. The selection process was also participatory, involving public voting, an evaluation by the official partners of the New European Bauhaus and the Evaluation Committee composed of representatives from DG REGIO and JRC.

The winning projects of this competition are excellent examples of projects that successfully combine different objectives on sustainability, inclusiveness and aesthetics.

For more information

New European Bauhaus website: *https://prizes.new-european-bauhaus.eu*

Selection procedures

The selection of projects by responsible bodies of the strategies **is the key step to identify and support integrated projects.** There are multiple ways to select these projects. Projects can be identified in the strategies and implemented by a local or regional government agency. Sometimes the objectives are set but the responsible bodies of the strategy use a competitive process to select projects. Sometimes it is a combination of both. In order to select the right projects for a strategy (also integrated projects), due attention should be paid to transparent and non-discriminatory eligibility and selection criteria. For example, projects should only be selected when they are in line with the strategy and the supporting programme, and provide an effective contribution to the achievement of their objectives. **The formulation of selection criteria can also incentivise integration at project level:** how well strategy partners are involved, how well projects are interlinked, and which objectives of the strategy they will contribute to.

It is challenging to define **simple but relevant selection criteria, in particular for selecting integrated projects.** Managing authorities can define a set of

possible selection criteria that can be personalised by strategy implementers in order to guide and inspire them in the development of their own selection criteria. A single handbook for applicants can also help to ensure they receive consistent information and get a better understanding of how to develop integrated projects.

Citizen participation and integrated projects

A participative and interdisciplinary approach can ensure that different actors and points of view are included in an integrated project. It is at project level that people work closely together on the ground. The human aspect is therefore very important and active outreach is often needed to include stakeholders that are not easily reached, i.e. minority groups, children or elderly, local businesses. There are many different methodologies and tools to involve stakeholders in the design and implementation of a project[79]. This can be done through surveys, workshops, site-visits, citizen actions, etc. Likewise, there are many different ways to gain a broader perspective of the projects' aims. One useful activity is to image how ones' project contributes to each of the 17 UN's SDGs. The UN SDG website[80] has a wealth of communication material that can be freely used.

Learning from practice

LA FÁBRICA DE TODA LA VIDA (SPAIN)

In a rural municipality of Spain that suffers from population and economic decline, an old cement factory, which had been abandoned for years, has been transformed into a collaborative space for free culture. La Fábrika has become a landmark for an open network of creators, thinkers and social agents throughout the territory.

La Fábrika pursues several objectives. It aims to bring culture and social activities to local youth in a rural area where there are few alternative options. It also aims for the reuse of a regional landmark – the cement factory – and the decontamination of the site.

Central aspects of this project are sustainability, inclusiveness and co-creation. For its renovation, all the original infrastructures of the factory have been kept and reimagined. The reconstruction process was completed through donated and recycled materials, either from local sources or from organisations that redistribute supplies for reuse. In order to regenerate the soil, the project is growing a Mediterranean forest that, in the long run, will purify the polluted grounds.

The activities organised by La Fábrika are all freely accessible. What's more, La Fábrika is an open hub where everyone can freely engage with social activities. According to the project promoters, 'building together' is a powerful tool to create community. This means the possibility of identifying together what the community needs are and brainstorming in a creative, collaborative and constructive way to bring about change. Over the course of ten years of activity, more than 3 000 people have contributed to regenerate the space and the larger community.

For more information

New European Bauhaus website: *https://2021.prizes.new-european-bauhaus.eu/node/269817*

79 The H2020 project SHERPA, produced a tool for stakeholder engagement in multiactor platforms in rural areas. *https://rural-interfaces.eu/resources-and-tools/stakeholder-engagement-tools*

80 *https://www.un.org/sustainabledevelopment/news/communications-material*

Funding integrated projects

The 2021–2027 regulations foresee several possibilities for supporting **integrated projects.** These, more than stand-alone interventions, **are particularly useful to tackle complex issues where various dimensions of the problem are interlinked.** First, the funds are allowed to support a wide set of actions that aim to achieve the same policy objective. In the case of ERDF for example, the fund can also invest in research and innovation, networking, cooperation, exchange of experience, communication and studies and technical assistance.

If need be, projects can be split up into different actions that, in turn, can be supported by different funds, depending on the eligibility rules of the different funds. In addition, not all actions within a project need to be supported by EU funds. It is possible to have EU funds support the part of the project that is eligible under that specific fund and support other parts through regional or local funding, private funding, financial instruments and so on (see Chapter 5, Funding and Finance).

Under the EU cohesion policy attention should be paid to avoid double financing, i.e. the same item cannot be paid for by different funding sources. In practice, projects are therefore mostly supported by a single fund.

Under CLLD many Fisheries Local Action Groups (FLAGs) have set up projects with multiple objectives. One example is the Smartfish project from the Ostrobothnia FLAG.

Be careful!

Learning from practice

SMARTFISH PROJECT (FINLAND)

In addition to being essential for local food production, fisheries are an important element of Finnish national identity and food culture in coastal and inland areas. Locally caught fish is considered a resource that could be used more efficiently, especially when it comes to underexploited species such as bream, roach, ide and smelt. However, most of the underutilised fish species are not well known nor valued by consumers and restaurants.

After an influx of migrants in 2015, there was a growing need to enhance the activities that build ties between migrants and local communities. To address both challenges, the Smartfish project aimed to improve the knowledge and consumption of local fish species, as well as integrate migrants from different cultures to local communities through cooking events and exchanging experiences. A new integration model for migrants and innovative recipes for underutilised fish species were developed through this project.

Moreover, the project aimed at changing consumer perceptions towards less used fish species by highlighting their positive aspects, such as their low environmental footprint and short transport distances. For example, the Finnish fisheries contribute to a phosphorus reduction of 700 tonnes annually from the Baltic Sea, which is twice as much as the targets for land-based reduction.

The most distinctive feature of the Smartfish project was that it brought together new groups of people, notably improving the interaction of migrants with the local communities and fishers. Thus, the innovative use of local fish species acted as a catalyst for integrating immigrants with local people, and participants learned about different food cultures to cook fish dishes in new ways.

For more information

FARNET, Fisheries Areas Network, Good Practice Project:
https://webgate.ec.europa.eu/fpfis/cms/farnet2/on-the-ground/good-practice/projects/promoting-underused-fish-species-and-improving-migrants_en

RECOMMENDATIONS

- Make full use of the new opportunities in the EU cohesion policy 2021–2027 to stimulate effective cross-sectoral integration in territorial strategies.
  - The new Policy Objective 5 – with its specific objective 5.2 aimed at supporting non-urban areas – can support thematically integrated strategies, including themes falling under other policy objectives.
  - Territorial instruments such as integrated territorial investments, community-led local development and other similar, nationally developed territorial tools can combine funding sources and provide coordination structures.
  - Other policy objectives can also support integrated strategies from a certain thematic angle.
  - Programmes can use technical assistance or even launch specific preparatory actions to support the design of integrated territorial strategies.
- Combine external and local knowledge in the development of the strategy to strengthen integration, efficiently address local challenges, seize the opportunities in the territory and boost innovation.
  - Use a participatory approach to strategy design to uncover local knowledge.
  - Explore the support tools that are available to run an evidence-based territorial diagnostic using data at the most granular level.
  - Increase the strategic capacity of local authorities and stakeholders by establishing mechanisms to link with higher levels of government and their available support.
  - Use innovation as an approach that crosses different sectors as it can be a catalyser for rural change and touch on many different policy areas.
- Be aware that the design and implementation of an integrated territorial strategy demands a strong coordination structure.
  - Involve stakeholders and other agencies early on in the strategy design in order to assure buy-in for cross-sectoral strategy implementation.
- Be aware that the design and approval of an integrated strategy is a time consuming process, particularly when it is done for the first time.
  - Use and upgrade existing sectoral and cross-sectoral strategies as the starting point.
  - Work closely with managing authorities to define the scope of the strategy that can be supported by an EU Programme.
  - Support capacity building and preparatory actions assisting the design and future implementation of the strategy.

- Support projects within the strategy that contribute to the objectives and are cross-sectorally interlinked.
  - Find a balance between investments in infrastructure (referred to as 'hard' investments) and investments in skills, capacity, inclusion (referred to as 'soft' investments).
  - Apply the integrated approach also at project level by keeping a broad perspective and apply an interdisciplinary approach.
  - Define adequate project eligibility and selection criteria as these will decide to a large extent how well projects will link to the strategy and how integrated and interlinked they will be.
  - Explore the different possibilities that exist within and between EU Funds for supporting integrated projects.

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Chapter 5

FUNDING AND FINANCE

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Territorial strategies of non-urban territories can vary widely in terms of the size of populations covered and the type and themes addressed. Likewise, **a similar variety exists in the financial size and complexity of these strategies and the funding instruments they use.**

When designing their strategy, local stakeholders must make sure that the scope and focus of the strategy are in line with the available budget and the relevant funding rules. Managing an integrated strategy with external resources requires knowledge on funding instruments as well as skills and capacity to set up a selection process and monitor progress in line with the rules of the individual funds. Moreover, sufficient financial resources are usually needed to provide match funding for the supported projects, and such resources are often scarce, especially in remote rural areas. Therefore, a first challenge to resolve is **to match the ambition of the strategy to the funding availability and capacity of the local actors to manage and access EU funds.**

Managing public funding, especially from the EU, is normally associated with a number of administrative processes that must be followed. However, with multiple levels of governance these processes can become very complex – and even more so when multiple funding sources and programmes are used, each of them with distinct funding rules, procedures and timetables. It is therefore essential to look for **ways to reduce this administrative complexity** and make the tasks of the local actors and beneficiaries easier. This is the second challenge of this chapter.

For several decades EU funding for non-urban strategies consisted mainly of the European Agriculture Fund for Rural Development (EAFRD) for rural development, the European Maritime and Fisheries fund[81] (EMFF) for support to fisheries communities, the European Regional Development Fund (ERDF), the Cohesion Fund (CF) for infrastructure investments and European Social Fund (ESF)[82] for investment in skills and training. These funds are all implemented under shared management, which means that Member States and regions have a central role in their management through national or regional managing authorities.

Moreover, excluding the EAFRD, they all follows the same set of rules called Common Provisions Regulation (CPR). In addition, other European-wide funds such

81 In the 2021–2027 programming period the former EMFF was called European Maritime, Fisheries and Aquaculture Fund (EMFAF).

82 In the 2021–2027 programming period the former ESF was abbreviated as European Social Fund Plus (ESF+).

as LIFE for biodiversity or Horizon for research can support projects in non-urban areas based on a competitive procedure.

Over the last few years, as part of the European twin green and digital transitions and in response to the COVID-19 pandemic, even more funding opportunities have become available for non-urban strategies. The above mentioned funds will now be complemented with (a) the Recovery and Resilience Facility (RFF) to boost the investment capacity of Member States towards the green and digital transition and (b) the Just Transition Fund (JTF) to support territories that are most negatively impacted by the transition towards a low-carbon economy due to their economic structure. The JTF also uses the rules of the CPR.

Territorial strategies are likely to combine some of the above mentioned funds as well as national co-financing[83] and other sources. The third challenge addressed in this chapter will therefore be **how to combine these different funding sources to achieve the greatest impact of the strategy.**

As a last challenge, this chapter will explore **supporting a territorial strategy with other funding sources besides grants.** These can include financial instruments of the European Investment Bank, as well as commercial bank loans and participatory finance from citizens.

In this chapter we address the following challenges:

- *How to programme investments that match strategy ambition with the funding available and capacity of local actors.*
- *How to reduce the administrative burden of integrated territorial strategies.*
- *How to combine different EU and national funds in an integrated strategy.*
- *How to benefit from other sources of financial support.*

CHALLENGE 1: How to programme investments that match strategy ambition with the funding available and capacity of local actors

When drafting the integrated territorial strategy, local actors sometimes try to address too many needs at once – as a result, their financial needs can be considerably higher than the available resources. Managing the funding of an integrated strategy can also be challenging, and the necessary knowledge, skills and resources are not always available at local level. Therefore it is important that in designing their territorial strategy, local actors match their strategy ambitions with their administrative capacity.

83 The amount of co-financing varies according to the classification of the region, divided into: less developed (GDP/head less than 75 % of the EU-27 average), transition (GDP/head between 75 % and 100 % of the EU-27 average), more developed (GDP/head above 100 % of the EU-27 average). This can also have an impact on how important the other funding sources will be in a given strategy.

In practical terms, matching strategy to available funds and capacity involves two main aspects:

- Adjusting the strategy ambitions to the budget available (and – if necessary – searching for additional funding sources).
- Conducting a critical assessment of the implementation capacity in relation to the funding framework.

Adjusting strategy ambition to the budget available

Public budgets allocated to territorial strategies vary greatly depending, for example, on the size of the area, the national context, and the type of instrument. Under CLLD, strategy budgets are typically lower than under ITI and other territorial tools.

Learning from data

According to STRAT-Board, in the 2014–2020 programming period **84% of CLLD strategies had a budget of less than EUR 5 million.**

Taking into account that local budgets for CLLD need to have a certain 'critical mass' in order to make a difference, the European Commission recommends CLLD budgets generally **not smaller than around EUR 3 million for seven years**[84]. No parallel recommendation exists for ITI, but from the data available in STRAT-Board it can be estimated that the ESIF contribution to an average ITI strategy is in the order of EUR 44.8 million. When working on the strategy, local actors normally have a good idea of the amount of funding they can expect to obtain.

Be careful!

Local strategy owners may be facing some difficult choices: is it better to develop a broader strategy, addressing all the needs of their territory, or to focus only on those needs they know they can get funding for? This can be particularly challenging where the strategy is at the same time an application for funding, or constitutes the core part of such an application (as is the case in CLLD). Local actors can be tempted to adjust their strategy to the formal requirements of the call, i.e. to modify their needs and objectives in line with the rules of the funding source. Such funding-driven strategies may not address the real needs of the community, or mobilise stakeholders to participate in their implementation.

To avoid such difficult choices, managing authorities should carry out broad consultation with the local and territorial stakeholders before designing the objectives and eligibility rules for CLLD and ITI strategies. At the local level, stakeholders can try to identify additional funding sources when important needs cannot be addressed by their main funding source.

Learning from practice

CLLD STRATEGY OF LOCAL ACTION GROUP (LAG) KOSTENETS 2010 (BULGARIA)

When designing its strategy for 2014–2020, the Bulgarian LAG Kostenets 2010 identified rural depopulation as one of the key needs. In the consultation process, the community identified activities to keep employees in the area focusing on working conditions, transport and health and safety standards. However, many of these activities were not eligible for funding under EAFRD.

84 *https://ec.europa.eu/regional_policy/en/information/publications/guidelines/2014/guidance-on-community-led-local-development-for-local-actors*

The LAG therefore decided to apply for funding from the ESF. The main challenge was to develop relationships with the ESF managing authority and to learn about ESF application requirements. Without the LAG, local companies would never have had the courage and know-how to apply for ESF funding at the national level.

The up-take of the project was higher than anticipated (eight businesses were involved, instead of two as originally foreseen). Although this required more work for the LAG, it was agreed to finance all of them with a smaller amount of funding. Improvements in health and safety equipment, workplace environment and free transportation for workers benefitted a total of 100 workers. Intangible results included increased levels of motivation, a better work atmosphere and improved relationships between employers and employees

One of the key lessons mentioned by the LAG manager is: 'Design projects that correspond to the real needs in the community and access funding sources accordingly'.

For more information

ENRD website:
https://enrd.ec.europa.eu/publications/using-multi-fund-approach-meet-local-needs_en

STRAT-Board strategy fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=BG-CLLD-003&fullscreen=yes

Even with additional sources, the available funding is almost always going to be insufficient to address all the identified needs. Therefore, it will be very important to **prioritise the objectives** or types of activities that will ensure the greatest impact on the territory and that are not being addressed by other funding sources. In this prioritisation, the local actors might find useful the following simple table.[85]

TABLE 3. Exercise to prioritise objectives and/or actions.

Strategic objective or type of action supported by your strategy (resulting from SWOT and needs analysis)	Reasons why you have a good chance to achieve impact with this type of action within the territorial strategy (specific skills, local knowledge, contacts with key stakeholders, etc.)	Other potential funding sources for this type of activity (realistically available to local promoters)
Objective/action 1		
Objective/action 2		
...		

It is important to ensure that the discussions on the most appropriate utilisation of the strategy budget involve a wide range of local actors. For example, in the case of the CLLD strategy of the LAG 'GotseDelchev-Garmen-Hadzhidimovo' in Bulgaria, the initial definition of the financial resources took into account the potential beneficiaries that had been identified and involved in the consultation process (see Chapter 1, Strategic Dimension).

85 Adapted from the FARNET Guide 'Forward-looking strategies for fisheries areas', *https://webgate.ec.europa.eu/fpfis/cms/farnet2/library/guide/farnet-guide-20-forward-looking-strategies-fisheries-areas_en.html*

Aligning the funding framework with implementation capacity

A critical assessment must be made of the available and required capacities for the management of the strategy's budget. In a joint pilot action from the European Commission and the OECD on 'Frontloading administrative capacity building for post-2020', **four dimensions of administrative capacity** were identified: people, organisation, strategic planning and coordination and enabling framework conditions.

FIGURE 3. OECD Analytical framework for administrative capacity building.

Source: OECD, 2020.

People refer to the need to have employees with the right skills and competences. **Organisation** refers to the business processes and culture that need to be in place for data-informed decision-making. **Strategic planning** refers to the planning cycle of integrated territorial strategies from design to implementation to monitoring and evaluation. Finally, the **enabling framework** conditions refer to the framework needed at all levels to carry out investments efficiently such as clear, consistent regulatory and legislative systems (OECD, 2020). Managing authorities dealing with local and territorial strategies can use an ABC Self-Assessment Instrument, based on the same pilot action, to assess their own administrative capacity.[86]

While in some cases a realistic assessment of the available capacity might require an adjustment in the strategic ambition, it is also possible to increase this capacity. In the 2021–2027 programming period **capacity-building actions can be part of every specific objective in a programme.** A good practice is to use roadmaps for building administrative capacities that start with an assessment, identify gaps and shortcomings, proposes actions needed, deliverables, a timeline, results and indicators.

Under CLLD, support for the preparation and design of the strategy and for capacity building of the local actors is mentioned explicitly[87] in the regulations, highlighting

86 *https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/ACB_Self_assessment_Instrument.pdf*

87 Regulation (EU) 2021/1060, Article 29.6 and Article 34.1(a)

the fact that administrative capacity is a crucial element for the success of a strategy. Funding is also available for the dedicated team managing the strategy and for information and support targeting the local community (i.e. activities aimed at mobilising, empowering and involving local people). The running and animation costs can go up to 25 % of the total budget of the local strategy – this indicates the importance of adequate human and technical resources to implement a local strategy.

A realistic assessment of local capacities can also influence the decision concerning the **use of several funds** to support the territorial strategy. It should be kept in mind that an integrated territorial strategy does not necessarily need to be funded by various funds in order to be integrated. Support from one fund might have some limitations in the type of projects that can be supported, but can be easier from a management point of view. The list below shows **different funding options** for territorial strategies **from simpler to most complex.**

1. It is possible to support an integrated strategy using **only one priority under a programme supported by a single fund.** In 2014–2020, the CLLD instrument had the possibility to support an integrated local development strategy that only needed to report under one specific CLLD investment priority. In the 2021–2027 programming period this approach has been broadened with introducing Policy Objective 5 'Europe closer to citizens'. It has two specific objectives: the first dedicated to integrated urban strategies, and the second to integrated non-urban strategies. Territorial strategies under these specific objectives can receive support through territorial tools to address various themes. In addition, an integrated strategy with a clear thematic focus (for example energy reduction) can be supported under one Policy Objective of a programme but still include a range of different actions.
2. It is also possible to support strategies under **several Policy Objectives of a single fund within the same operational programme,** for example combining Policy Objective 1 'a smarter Europe' with Policy Objective 2 'a greener Europe'. This is typically done through the use of territorial tools. Even though this might demand a more elaborated monitoring system for the strategy and potentially different calls for projects, often the managing authority is the same, which simplifies coordination. The ITI Westküste in Germany is an example of integrated strategies that combine two policy objectives within the same programme.

Learning from practice

ITI WESTKÜSTE (GERMANY)

The west coast of Schleswig-Holstein is a peripheral region in Germany that faces, compared to other areas, several important obstacles to development including: fewer transport links, a high proportion of agriculture and tourism with different development prospects and weak innovative power. The ITI Westküste (west coast), called 'Western Coast: competence region for tourism and energy' was part of the ERDF Operational Programme Schleswig-Holstein 2014–2020.

The ITI was an innovative implementation tool, where local areas could apply in a two-stage process to obtain funding for packages of measures that had to include at least one energy project under Thematic Objective 4 (TO4) and at least one tourism project as part of TO6. By the end of 2020, fifteen projects were completed.

For more information

Schleswig-Holstein website: *https://www.schleswig-holstein.de/DE/Fachinhalte/F/foerderprogramme/MWAVT/iti_Westkueste.html*

STRAT-Board strategy fact-sheets:

- Joint island development plan to strengthen eco-tourism in the Wadden sea
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-089&fullscreen=yes
- Innovation region Itzehoe and Brunsbuettel
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-090&fullscreen=yes
- Northern energy and sustainability path Nes-trail
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-091&fullscreen=yes
- Cultural value west coast
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-092&fullscreen=yes
- Pearls of the west coast
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-093&fullscreen=yes
- Sustainable tourism value for world natural heritage site Wadden sea
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-094&fullscreen=yes
- Helgoland – Atlantis 4.0
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-095&fullscreen=yes
- Beach plan Foehr
  https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-096&fullscreen=yes

3. A strategy can be supported by **different funds and programmes under shared management** through **territorial tools.** This allows for a combination of investments in, for example, infrastructure and business development, training and social inclusion and rural development. As such, it is very relevant for many territorial strategies and can lead to strong cross-sectoral approaches. These funds will very likely have different managing authorities and the implementation of such a strategy can be more challenging. Although Member States have a broad flexibility in aligning national rules, this does not always happen. The Czech LAG Nad Orlicí is an example of a local strategy that is supported by multiple funds and illustrates some of the challenges involved.

Learning from practice

THE INTEGRATED CLLD STRATEGY FOR THE LAG NAD ORLICÍ (CZECH REPUBLIC)

The local action group Nad Orlicí consists of 58 municipalities in the northeast of the Czech Republic. Most of the area is rural.

After a SWOT analysis of the territory, the LAG drafted a local strategy in which all LAG members participated and that had also been widely consulted with citizens. The strategy covers a broad range of topics and has the following objectives:

- Increase the efficiency of municipalities and their cooperation with citizens.
- Increase the employment rate of the local residents.
- Improve the quality of services and education.
- Diversify the local economy.
- Support the development of sustainable tourism and the recreational opportunities for citizens while preserving nature.
- Innovate in the field of sustainable energy and energy efficiency.

The local strategy is supported by three funds: EAFRD (1 million euro), ERDF (2.5 million euro) and ESF (0.5 million euro). Each fund supports its own actions. There is no possibility to support integrated projects, but taken together, the actions support an integrated strategy for the area concerned.

According to the LAG, the CLLD method proved to be useful for building cooperation between mayors, entrepreneurs, non-profit organisations, local producers and local economy actors. However, launching the multi-fund strategy was not easy. The major issues confronted included:

- A delay in the approval of the strategy by all the managing authorities concerned (13 months).
- An initially dysfunctional system for submission of applications.
- Difficult collaboration with some of programme authorities involved.
- Divergent interpretation of the rules by the controlling authorities.
- Excessive bureaucracy – e.g. a 40 page application for a project with a budget of 11 000 euro.

For more information

Lorencová, M., LAG NAD ORLICÍ (Check Republic), in L., Servillo, L., *CLLD under ERDF/ESF in the EU: A stock-taking of its implementation,* Final Report, European Commission, Brussels, December 2017. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/clld-under-erdf-esf-in-the-eu-a-stock-taking-of-its-implementation*

STRAT-Board strategy fact-sheet:
https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=CZ-CLLD-157&fullscreen=yes

4. There are even possible **links** to be made **with EU funds that are not in shared management,** but that are allocated on the basis of an EU-wide competition (Horizon Europe, LIFE, etc.). In this case the selection procedure is managed at the EU level, and the chances of obtaining funding can be lower.

Much depends on the national or regional rules for the EU funds and the setup of programmes. These decisions can determine for example which type of territorial instruments can be used for non-urban strategies, which funds can finance them and which combination of funds is possible. It is of utmost importance that such rules are developed in partnership with stakeholders at strategy level to make sure that the design of programmes and support measures available respond to local needs and available administrative capacity. Programme authorities should also envisage the necessary support activities for local actors to enhance their capacity to design and implement cross-sectoral strategies – such support can for example be financed with Technical Assistance of the relevant programmes.

CHALLENGE 2: How to reduce the administrative burden for integrated territorial strategies

EU funding is often associated with **administrative complexity.** This is partly due to the multiplicity of objectives and funding sources, combined with the need to ensure accountability and transparency of spending EU money. However, further complexity is often introduced at national or regional level, where managing authorities design eligibility rules that are more restrictive than those at the EU level, or complex procedures are put in place involving multiple checks for fear of an audit and control (this practice is sometimes called '**gold plating**'). With territorial instruments such as ITI or CLLD, there is also the additional complexity resulting from multiple levels of decision-making. On the other hand, beneficiaries of these territorial instruments, especially in non-urban areas, are often small-scale local actors (individual producers, SMEs, community associations) that can become discouraged or disorientated by detailed eligibility criteria and elaborate administrative procedures.

There are several opportunities to reduce the administrative burden when using European funding in the implementation of integrated territorial strategies. The cohesion policy regulations of the 2021–2027 period foresee a long list of **simplifications.** The Commission's Simplification Handbook[88] lists no fewer than 80 simplification measures. Broadly speaking these measures cover the following: simplifications of the legal framework and the policy framework for easier programming; fewer, more strategic conditions; faster and more strategic programming; simpler territorial tools; simpler implementation; simpler and more proportionate management, control and audit; simpler financial instruments; streamlined monitoring and evaluation; and a single integrated framework for Interreg (European Commission, 2018).

When considering simplification, it is important to specify who will benefit from it. Sometimes simplification at programme level means that the administrative burden is simply transferred to the local level, i.e. strategy owners or project promoters. Managing authorities should design delivery rules in consultation with the territorial actors to ensure a **genuine simplification** for all governance levels.

Be careful!

Simplified Cost Options

One of the key measures of reducing the administrative burden of territorial strategies is the use of **Simplified Cost Options** (SCOs). SCOs can greatly facilitate access to EU funding for small local actors and enable them to focus more on the achievement of objectives than on paperwork. At the same time, SCOs can help managing authorities address two key concerns: the fear of errors and the high workload linked with checking applications and payment claims. Under SCOs, the relevant programme authority defines up-front how much funding can be granted for certain types of operations or costs, and project promoters don't need to document the real costs – they just need to demonstrate they have completed the project and/or reached specific outputs or results.

88 *https://ec.europa.eu/regional_policy/en/information/publications/factsheets/2018/simplification-handbook-80-simplification-measures-in-cohesion-policy-2021-2027*

In the 2021–2027 programming period SCOs are obligatory for projects under EUR 200 000 (unless support involves state aid)[89] and can include financing not linked to costs, unit costs, lump sums and flat-rate financing[90]:

- **Lump sums** involve a fixed amount of funding linked with a specific output, e.g. a study or a seminar. If the project output meets predefined criteria, the beneficiary gets the grant without showing detailed calculation of its costs or demonstrating expenditure.
- **Unit costs** establish how much funding can be allocated per specific unit (e.g. per participant trained) so that the total grant can be calculated by checking only how many participants were trained without looking at the actual costs of lecturers, meeting rooms, etc.
- In **flat rates** the funding eligible for certain parts of a project are calculated in relation to another part of the project, e.g. indirect costs or staff costs can be calculated as a percentage of other types of costs, in which case the beneficiary does not have to prove the part of costs covered by the flat rate.

The calculation of costs for an SCO scheme can be based on statistical data, expert judgement, usual accounting practices or historical data from previous projects, or by using rules of similar schemes used in national policies or EU funding. A very useful method of calculating SCOs is the use of a **draft budget** presented by the applicant and agreed upon by the body selecting the operation. If the costs in the draft budget are eligible and reasonable, the beneficiary must demonstrate only that the project has been correctly completed and reached the outputs/results envisaged, without the need to present and verify the real expenses. Managing authorities can also use **'off the shelf' SCOs,** i.e. calculation methods already defined in EU legislation[91] – this helps avoid the calculation methods being questioned by auditors.

Finland has gained experience in using draft budget for projects under EUR 100 000 already in 2014–2020. The cost of a project is decided upfront, based on clear objectives to be achieved. Once these objectives are met (which can be proven with a simple picture) the entire cost is paid. This makes the paying process simple, easy and fast (Vaissalo, 2019).

Learning from practice

SIMPLIFIED COST OPTION IN FINLAND

The lump sum cost option based on a draft budget was included in the Finnish Rural Development Programme 2014–2020. In 2018, the first such project was funded. By the end of 2019, over 150 projects were implemented with a draft budget SCO. This option was welcomed, especially for CLLD projects that are often small.

The planning of the project is the same as for a project where the eligible costs are actually incurred. A project plan must be clear and the application form filled in

89 Regulation (EU) 2021/1060, Article 53

90 The explanation of SCOs in the following paragraphs is adapted from the FARNET Guide on 'Delivering CLLD effectively', *https://webgate.ec.europa.eu/fpfis/cms/farnet2/library/farnet-guide-19-delivering-clld-effectively-guide-emff-managing-authorities_en.html*

91 Article 54 of Regulation (EU) 2021/1060 envisages the following off-the-shelf flat rates: for **indirect costs of an operation,** at up to 7 % of eligible direct costs, or up to 15 % of eligible direct staff costs; **direct staff costs of an operation** can be calculated at up to 20 % of other (non-staff) direct costs; **non-staff related direct costs** can be calculated at up to 40 % of eligible direct staff costs of the operation.

carefully. Beneficiaries must be sure to implement the project as planned because changes are not possible in lump sum projects. The draft budget is evaluated case by case (this is different from an off the shelf lump sum cost option). The reasonableness of the costs is verified in the project application.

The paying process in a lump sum project is very easy. There is a short application form for payments. The grant may be paid in 3 instalments and every milestone/step is verified with a specific outcome. Each project has a final report where the outcome is verified with pictures, YouTube–links, etc. The last instalment may be paid when the last part is finished as planned.

One example is the municipality of Sonkajärvi that has developed the cultural- and outdoor trail of Sukeva. Many development projects had been completed before, but the current project aim was to make better use of the trail by purchasing info-signs and constructing two small bridges. The aid granted for this project was EUR 5150. The project only consisted of one part and the payment was applied in one instalment. All that was needed was a photograph and a short report after the project was completed.

For more information

Vaissalo, K., Experiences on implementing the lump sum (draft budget) cost option in Finland, 2019. Available at: *https://enrd.ec.europa.eu/sites/default/files/tg9_smart-villages_simplified-cost-options_vaissalo.pdf*

In CLLD, a type of cost that is fairly standardised and well documented is the **running and animation costs of the LAGs.** Managing authorities already experimented with SCOs in running costs in the 2014–2020 period – for example the 'off the shelf' option of indirect costs as 15 % of direct staff costs in the LAG. In Poland, the EAFRD managing authority introduced a more advanced system of flat rates for LAG running costs based on real costs from the 2007–2013 period[92]. The use of such SCOs has greatly helped reduce the administrative burden for LAGs and leave more time for community outreach and animation.

Supporting small-scale beneficiaries

Indeed, LAGs implementing CLLD can play a big role in **supporting beneficiaries to deal with administrative complexity.** They can help them not only in finding the most appropriate funding source, but also in filling the application form and later in implementing the project and meeting the reporting obligations. A good example is the LAG Tirol with a 'one-stop-shop' approach for beneficiaries (Servillo, 2017). The Tirol managing authority is in charge of three funds (EAFRD, ERDF, and CBC-ERDF), which supports the Austrian LAGs of the Austria-Italian border region (for more information on the governance structure, see Chapter 3, Governance). The Tirol managing authority managed to unify the procedure for all the Funds, and to simplify the procedures for the LAGs at the local level. Since the integration of the different funds is operated at regional level, the LAGs have only one interlocutor for the financial implementation of the projects.

92 For a step-by-step description of how the SCO was calculated and set up by the Polish MA, see: *https://enrd.ec.europa.eu/sites/enrd/files/w3_scos-leader_factsheet4_0.pdf*

Another way of simplifying access to funding for small-scale beneficiaries is to implement **'umbrella projects'** – a package of small operations that from an administrative perspective are treated as a single project. Umbrella projects have been used for example in Austria, where LAGs can use up to 5 % of their total budget for small lump sum grants up to EUR 5700[93].

Small scale actors often have difficulties in finding sufficient cash to complete the whole operation, make payments and wait for reimbursement; some managing authorities introduce various forms of **advance payments** or **payments in instalments** (where reimbursement can be made once a specific part of the project is completed).

In addition, well-designed **online application and decision-making systems** and, more generally, **e-governance** in the management of support programmes also has the potential of reducing the administrative burden on beneficiaries and national and regional administrations.

The Lead Fund in the 2021-2027 programming period

The administrative burden can be particularly heavy for local actors if the **territorial strategy is multi-funded** (Jasińska-Mühleck, 2020). LAGs and beneficiaries may have to comply with a different set of rules, reporting requirements and time frames for each fund. To address this issue, the idea of the **Lead Fund** (already present, in a limited form, in the 2014–2020 programming period) was further developed in the 2021–2027 period.

Even though the EAFRD is no longer included in the rules of the Common Provision Regulation (CPR), an exception is made for bottom-up local strategies under CLLD. The rules established for CLLD in the CPR also apply to CLLD funded under EAFRD (i.e. LEADER/CLLD). This ensures a common legal basis for local development strategies.

When a CLLD strategy is supported by multiple funds, the CPR stipulates that programme authorities **may choose one of the funds concerned as the Lead Fund.** While respecting the scope and the eligibility rules of each fund involved in supporting the strategy, the rules of the Lead Fund shall apply to that strategy. The authorities of other funds shall rely on decisions and management verifications made by the competent authority of the Lead Fund.

In practice, this means that the day to day management (including procedures of carrying out eligibility checks, grant and payment decisions, controls, possible corrections/penalties) will follow the rules of the Lead Fund, while the other contributing funds' rules will only apply to the definition of scope and eligibility of what can be funded, collecting data for monitoring and payments. The Lead Fund will handle all contacts with LAGs and beneficiaries, except for making payments.

The implementation of the Lead Fund in practice will require very good **communication and trust** between managing authorities of the funds concerned. The CPR stipulates that the managing authority of the Lead Fund shall provide

93 *https://www.rederural.gov.pt/centro-de-recursos/send/51-enrd-seminar-leader-acting-locally-in-a-changing-world/889-the-austrian-approach-to-leader-implementation-and-delivery*. See also a report from managing authorities' discussion about the potential of umbrella projects in LEADER: *https://enrd.ec.europa.eu/sites/default/files/w7_umbrella-projects_report_160215_0.pdf*. More information about simplification in LEADER can be found here: *http://elard.eu/wp-content/uploads/2020/04/Simplification-practice-in-LEADER-CLLD-final.pdf*.

the authorities of other funds with information necessary to monitor and make payments in accordance with the rules set out in the Fund-specific Regulations (CPR, article 31.4-6).

These provisions, if taken up by Member States, can significantly reduce the administrative burden for LAGs and beneficiaries, who will no longer have to deal with different managing authorities and follow separate rules for each type of project.

CHALLENGE 3. How to combine different EU and national funds in an integrated strategy

Since funds and programmes are generally set up to support a specific target community (for example EMFF for fisheries communities, EAFRD for rural communities) or type of investment (ERDF and CF for infrastructure and business support and ESF for training and inclusion), an integrated strategy may need a combination of programmes and funds[94].

Support from multiple funding sources has several advantages. It can enlarge the financial basis of a strategy. In other words, a strategy can be more ambitious if there is more funding. Given that funds have their own type of beneficiaries, including different funds can also increase the involvement of different stakeholders in the strategy.

However, combining various funds in one strategy can be challenging for both programme authorities and for local actors because it means different rules to adhere to, monitoring systems to set up and increased coordination between different government actors in decision making and implementation. More examples about coordination at different governance levels can be found in the Chapter 3, Governance.

Combining several funds in a single strategy

When we look at the 2014–2020 programming period, we see that in many Member States, e.g. Poland, Czech Republic, Finland, France, Germany, Greece, Italy[95], multi-funding is already present at programme level, which means that several funds (often ERDF and ESF) are part of the same programme and are managed by the same managing authority. Where this is not the case, multiple funding sources almost always means that the owners of a territorial strategy will have to deal with various ministries and managing authorities.

From STRAT-Board, we learn that in the 2014–2020 programming period almost half of all CLLD strategies funded by EU cohesion policy funds[96] were supported by two funds and 43 % even by three funds. For ITI strategies, there appears to

Learning from data

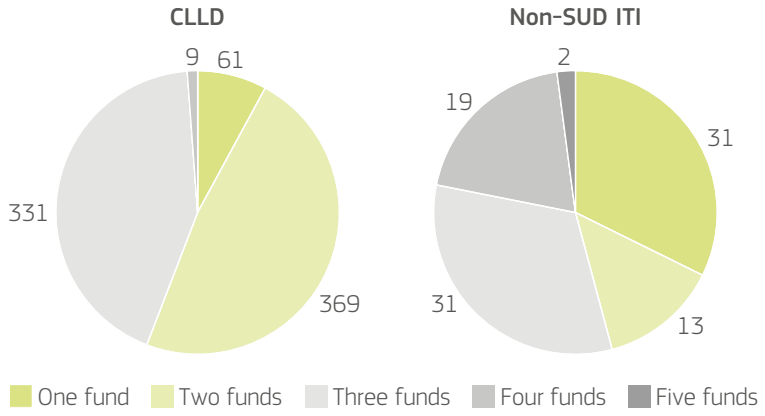
94 According to Article 25.2 of Regulation (EU) 2021/1060, even though a cross-financing provision for ERDF and ESF+ allows the former to support ESF-type soft measures and the latter to support ERDF-type infrastructure to a certain threshold.

95 It is possible to navigate across the operational programmes here: *https://ec.europa.eu/regional_policy/en/atlas/programmes* and here: *https://ec.europa.eu/esf/main.jsp?catId=576&langId=en*

96 Servillo (2017) found that the vast majority of CLLD strategies (at least 2 000 strategies) in the 2014–2020 programming period received support from a single fund – usually the EAFRD and EMFF. These EAFRD and EMFF supported strategies are not included in the STRAT-Board database.

be a tendency to either be mono-funded and only combine different thematic objectives, or on the contrary, to combine three or four different funds[97].

FIGURE 4. Number of non-SUD (Sustainable Urban Development) CLLD and ITI strategies per number of funds used in the 2014–2020 programming period.



Source: STRAT-Board, JRC.

Coordination at programme level is always recommended **to ensure coherence between strategic objectives, achieve synergies and facilitate learning** between managing authorities. However, such coordination is absolutely crucial when local strategies are multi-funded. In the case of multi-funded CLLD, the CPR explicitly requires that the selection of strategies and the monitoring committees of the funds involved be harmonised. A possible solution to facilitate coordination is to appoint a dedicated agency or department at national or regional level for managing the different funds. A publication by the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) on 'Scenarios for Integrated Territorial Investments'[98] describes possible arrangements for four ITI strategies in detail.

Particularly relevant for non-urban territorial strategies is the combination between EAFRD and cohesion policy funds. There are examples where EAFRD is combined with ERDF and ESF in an ITI strategy, as in the case of the ITI Castilla-La Mancha in Spain. There is also the possibility of having a CLLD strategy supported by the EAFRD and cohesion policy funds, as in the LAG Nad Orlicí in the Czech Republic. Finally, a CLLD strategy can be complemented by other funds (on a project-by-project basis) for more large-scale investments that are not possible under CLLD, either as part of a formal ITI or not.

Learning from practice

INTEGRATED TERRITORIAL INVESTMENT (ITI) OF CASTILLA-LA MANCHA (SPAIN)

The ITI of Castilla-La Mancha pursues the socio-demographic recovery of the sparsely populated and declining rural areas of the region. The ITI integrated different ESIF programmes managed at regional level, namely the ERDF, the ESF and the EAFRD.

97 However, there are strong national differences, e.g. Greece, the Netherlands and Lithuania have CLLD strategies mono-funded with ERDF or ESF, while in Czech Republic, Germany, Poland, Portugal and Sweden most CLLD strategies use three funds. Similarly, non-urban ITI strategies in Germany, France and Slovakia use exclusively ERDF, while in Italy the majority of ITI strategies use three funds, in Portugal four funds, and the single non-urban ITI strategy in Romania even five funds.

98 *https://ec.europa.eu/regional_policy/en/information/publications/reports/2015/scenarios-for-integrated-territorial-investment*

The strategy fosters an entrepreneurial culture in the business environment and among local producers through the promotion of new economic activities. The three pillars of the strategy are: digital infrastructure and digital service innovation, new employment opportunities and the sustainable use of natural and cultural resources.

The Castilla-La Mancha ITI has its own governance structure, based on two main actors: a Planning, Coordination and Monitoring Committee at the regional level (which gathers all ESIF management bodies and relevant sectoral actors) and five Territorial Subcommittees, one in each of the five provinces with ITI target areas. The Subcommittees gather local representatives, organisations representing socio-economic interests and other institutions such as the regional university.

The strategy did not have multi-fund calls for projects, but there was ex ante coordination in the definition of the calls, and ex post coordination in monitoring and follow-up between the different funds. This has led to:

- Calls that are better adapted to the nature, challenges and capacities of the ITI targeted territories.
- Territories that benefited in practice from a multi-fund approach.
- Higher awareness and capacity of local actors in ITI areas to take advantage of ESI Funds targeting their territories.
- More participation from communities/beneficiaries that do not usually have access to the ESI Funds.

The perception gathered with the managers of the Funds (ERDF, ESF, EAFRD) suggests that the real added value of the ITI lies in the change it has brought about in the way of working together under the umbrella of an integrated strategy.

For more information

Paton, J., Analysis of the ITIs effectiveness in Spain (2014-2020), Infyde, European Commission Directorate-General for Regional and Urban Policy, 2020. Available at: *https://iti.castillalamancha.es/sites/iti.castillalamancha.es/files/2020-03/ITI_E3_FINAL_Report_Spanish_Version-CLM.pdf*

ITI Castilla-La Mancha website: *https://iti.castillalamancha.es*

STRAT-Board strategy fact-sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=ES-128&fullscreen=yes*

New EU funds

In the 2021–2027 programming period two new European funding sources are available for integrated territorial strategies.

First, there is the **Just Transition Fund (JTF)**[99], which also falls under the CPR and has similar programming and management rules as for example the ERDF, though with a different eligibility scope. The aim of this fund is to address the social, economic and environmental costs of the transition to a climate-neutral economy. Fighting climate change will benefit all in the long term. However, not all regions and Member States start their transition from the same point or have the same capacity to respond. Some are more advanced than others, and the transition

99 Regulation (EU) 2021/1056

entails a wider social, economic and environmental impact for those regions that rely heavily on fossil fuels for energy use or greenhouse gas intensive industries.

Member States should make territorially just transition plans for the territories most negatively affected, where JTF support should be concentrated. It must be noted that these same territories can also be targeted by territorial or local development strategies. Such plans should describe specific actions to be undertaken to reach the EU's 2030 targets for energy and climate and a climate-neutral EU economy by 2050. In particular, this concerns the conversion or closure of facilities involving fossil fuel production or other greenhouse gas intensive activities. Such plans can be a stand-alone programme or a dedicated priority in programmes supported by the ERDF, the ESF+ or the Cohesion Fund[100].

Second, there is the **Resilience and Recovery Facility (RRF)**[101] that can provide both grants and loans. The aim of this Facility is to support Member States in their recovery from the COVID-19 pandemic. To receive a financial contribution, Member States had to prepare national recovery and resilience plans[102]. Those plans set out the reform and investment agenda of the Member State concerned. In some cases, the plans pay particular attention to non-urban areas, and can be used to finance integrated territorial strategies. For example, the Italian plan invests in the regeneration of small historical towns (*borghi*), rural areas and minor islands, supporting cultural heritage and sustainable tourism with measures aimed at balancing tourist flows, counteracting over-tourism and increasing environmental and social sustainability. In particular, the actions targeting small towns will be implemented through a national instrument (*Piano Nazionale Borghi*) and will be structured around local integrated projects.[103]

So in the 2021–2027 period some non-urban territories will be covered by a JTF plan and in many non-urban territories large-scale investments from the RRF will take place. This means that much more financial support might be available for these non-urban territories. It also increases the **need for co-ordination between ministries at national or regional level and between higher and lower levels of government** to support coherent integrated strategies that make the most of the **complementarity between these funding sources.**

Strategically managing multiple EU funds at national level

One way of ensuring complementarity of EU funds is to set up a **clear demarcation between the different sources of funding.** The European Institute for Public Administration (EIPA) identifies four possible ways for national authorities to ensure this at a strategic level: **thematic delineation,** territorial demarcation,

100 More information on the JTF can be found at *https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism/just-transition-funding-sources_en*

101 Regulation (EU) 2021/241

102 Recovery and resilience plans that are eligible for financing under the Facility shall comprise measures for the implementation of reforms and public investment through a comprehensive package. Such plans should be consistent with European-level recommendations and policies such as the European Semester, the National Energy and Climate Plans, the territorial just transition plans, the Youth Guarantee implementation plans and the partnership agreements and operational programmes under the Union funds. More information on the RRF and the national recovery and resilience plans are available at *https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans*

103 *https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/italys-recovery-and-resilience-plan_en*

different types of beneficiaries, different time horizons. For thematic delineation, it is possible to make a distinction at national level between investments supported by one or the other fund. In Wallonia for example, the RRF will finance state-of-the-art training infrastructure, while ESF+ will focus on training in the very specific fields of biotechnology and health. In the French recovery plan there is an example of **territorial demarcation,** because the RRF will focuses on soft mobility in rural areas while the ERDF finances sustainable mobility in urban areas. An example of a **demarcation between beneficiaries** is the German plan where energy efficiency of residential buildings is supported with the RRF and energy efficiency in non-residential buildings is supported through the ERDF. Finally, as an example of the **time dimension,** Portugal foresees supporting initial investments in the hydrogen sector with the RRF but intends to follow up with the EU cohesion policy (Lopriore, 2022).

However, it is important to remember that **demarcation alone does not ensure complementarity.** Demarcation helps to make sure the same project cannot be financed from different funding sources, and can sometimes be useful to avoid overlapping responsibilities. On the other hand, complementarity is more than avoiding overlaps: it also involves a shared understanding of the objectives of each funding source, clarity of who does what, harmonised responses to questions from beneficiaries and joint problem-solving.

The example of Halki shows that different funding sources can be combined **at national level** to achieve complementarity in supporting an ambitious territorial strategy.

Learning from practice

HALKI, THE FIRST GR-ECO ISLAND (GREECE)

The GR-eco islands national initiative aims to transform the small Greek islands into models of clean energy transition, green economy, energy self-sufficiency and digital innovation. This is pursued through targeted interventions and adapted programmes of the Ministry of Environment and Energy and other responsible ministries under the umbrella of the National Energy and Climate Plan.

The small island of Halki in the south-eastern Aegean is the first island to benefit from this initiative. It has a permanent population of around 500 and is powered mainly by diesel generators installed on neighbouring Rhodes island.

The Greek ministry for the Environment and Energy will oversee the project, which also involves the Embassy of France in Greece, the Region of South Aegean (responsible for permit granting), the municipality of Halki (which has established the Energy Community 'ChalkiON') and several French and Greek companies that will carry out the investments in a photovoltaic system meeting the island's energy demand. They will also donate electric vehicles to the police, the coastguard and the municipality. Smart management systems for public lighting and innovative telecommunication services based on the deployment of 5G and broadband networks will be installed.

The transformation of Halki into a green island will save around 1.800 tonnes of CO2, while the estimated annual savings on the electricity bills of the municipality and residents will amount to EUR 180.000–250.000 (depending on the electricity prices). The residents will have improved access to digital services and the island will be able to attract more eco-friendly tourists.

The GR-eco islands is an example of an initiative that could take the form of an ITI and be funded through ERDF, JTF, RRF, or a combination of these (at the time of writing a decision on the funding mechanisms had not yet been taken).

For more information

European Commission (EC), 'Gr-eco Islands: Turning Greek Islands into models of green and sustainable development', EC News, 15 June 2022. Available at: *https://clean-energy-islands.ec.europa.eu/news/gr-eco-islands-turning-greek-islands-models-green-sustainable-development*

Combining EU with other public and private funding sources

Territorial strategies always need **additional resources beyond EU funds.** There are several reasons for this. Some investments are an integral part of the strategy but can be outside the scope of EU funds. It is also possible that certain investments fall within the scope of EU funds, but there are other limitations such as the amount of funding available and the eligibility of territories or beneficiaries. And sometimes national or regional funding sources are more easily accessible, with fewer administrative requirements than EU cohesion policy funding.

Another reason is that, as a rule, cohesion policy funding never finances 100 % of investments. This means that a project – and therefore a strategy – always needs a part of **local, regional or national co-financing** to complement the EU funding. The rationale for this is to raise accountability and a sense of ownership of the programme from authorities and local actors. In addition to national public co-funding, the beneficiaries of projects usually must contribute **private match-funding** (especially in case of productive projects).

The importance of domestic resources in a strategy increases when the EU co-financing rate is lower. This is the case for the more developed regions of the EU. This means that other sources should fill this financing gap. This is often a challenge for project promoters and local authorities. Here support from regional or national authorities can step in. Some regions have a dedicated co-financing fund that can structurally provide co-financing for EU projects. In other cases this is done more on an ad-hoc basis.

The table below shows an overview of the different funding sources dedicated to the Strategisch Actieplan voor Limburg in het Kwadraat (SALK) ITI in Belgium. Next to the contributions from the ERDF and ESF programmes, the Flemish Region supported the strategy with funding and loans, as did the provincial authorities and the city of Genk.

TABLE 4. Funding sources of the SALK ITI in Belgium.

Resources		Planned expenditure
Flemish resources	SALK-provision (CB0/1CB-X-2-A/PR)	24 000 000 Euro
	Hermes fund	57 907 200 Euro
	Loan facility	100 000 000 Euro
European resources	ERDF	43 300 000 Euro
	ESF	26 700 000 Euro
Other resources	City Genk	20 000 000 Euro
	Province Limburg	50 000 000 Euro
TOTAL		**321 907 200 Euro**

Source: SALK Taskforce, SALK Evaluatie, 11 December 2015 (own translation).

Be careful!

Ideally, domestic funding should be assured at the level of the whole strategy – as in the case of the Limburg ITI above. In some cases, regional or local authorities might decide to provide **co-financing on a project-by-project basis,** but this should be avoided as it **can create additional barriers for project promoters** who might have to prepare two separate applications (one for the EU funding and the other for the regional or local co-financing). In addition, the authority that provides the funding might be tempted to prioritise projects in line with the short-term political agenda, rather than those that can best contribute to the long-term objectives of the integrated strategy.

Additional resouce

USEFUL RESOURCES ON MULTI-FUNDED CLLD STRATEGIES

The report on **'CLLD under ERDF/ESF in the EU: A stock-taking of its implementation'** was commissioned by DG REGIO and the Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) in 2017 to assess the initial state of play of programming CLLD under ERDF and ESF in the 2014–2020 period by ERDF and ESF. It describes the different configurations of funds in different Member States and analyses the overall figures, the financial articulation and the scope of the local strategies. Nine case-studies are further analysed.

The report concludes that from a European perspective the uptake of CLLD in the ERDF and ESF can be considered a success: 44 programmes in 18 Member States in the 2014–2020 period supported close to 700 CLLD local strategies. However, this uptake is rather unequal in Europe where many EU13 Member States[104] seem to be more willing to experiment with multi-funding than EU15 Member States. The case-studies showed that there is a bigger administrative burden when combining multiple funds.

104 The EU-13 Member States are the 13 countries that joined the European Union in 2004: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. The EU-15 Member States are the countries that were already part of the European Union before 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

A more recent report of a study carried out for DG EMPL and published in 2022, **'The ESF and community-led local development: Lessons for the future'** shows how CLLD under ESF has been implemented so far and provides recommendations for the future.

The uptake and expansion of CLLD in the ESF between 2014–2020 responded to the need for integrated, locally developed solutions to address a wide range of local problems relating to employment, social inclusion and poverty reduction. While the use of CLLD was at Member States' discretion, ESF funding opened up for LAGs a broader range of eligible themes, target groups and projects. CLLD at local level was particularly effective where LAGs had previous experience of CLLD with other funds and/or where the managing authorities provided them with additional support.

For more information

Servillo, L., *CLLD under ERDF/ESF in the EU: A stock-taking of its implementation,* Final Report, European Commission, Brussels, December 2017. Available at: *https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/clld-under-erdf-esf-in-the-eu-a-stock-taking-of-its-implementation*

ICF, The ESF and community-led local development: Lessons for the future, Publication Office of the European Union, 2022, Luxembourg. Available at: *https://ec.europa.eu/european-social-fund-plus/en/publications/esf-and-community-led-local-development-lessons-future*

CHALLENGE 4: How to benefit from other sources of support

Next to grants for projects from EU and national/regional funds, there are other ways to support the implementation of a territorial strategy. This not only encompasses access to other sources of finance but also in-kind support[105].

To understand the availability of other sources in greater detail, this section takes a closer look at the following solutions:

1. Financing instruments of the European Investment Bank and the European Bank for Reconstruction and Development.
2. Commercial bank loans and private investments.
3. Specialised financial institutions and citizen-led investments via crowdfunding.

Financing instruments at the EU level: EIB and EBRD

The **European Investment Bank** (EIB) and **European Bank for Reconstruction and Development** (EBRD) play a prominent role in the **financing and technical support to municipalities.**

The EIB has a wide range of financing instruments for local and regional governments based on their investment needs: framework loans, investment loans, intermediated loans and equity funds. An important part of EIB lending is also

105 For an example of in-kind support, see the example on Gr-eco islands in Challenge 2.

its support for European Structural and Investment Funds (ESIF) projects through the financing of a share of the national co-financing obligations. Moreover, EIB acts as a fund or fund manager on behalf of EU managing authorities wishing to implement financial instruments in shared management. Through its structural programme loans and regional/urban framework loans, the EIB has also found ways to target regions and local authorities of different sizes in an integrated and place sensitive multi-sector investment approach.

For smaller-scale projects, **National Promotional Banks** often act as financial intermediaries for EIB Group investments. They channel EIB loans to businesses and collaborate with the European Investment Fund (EIF) in the implementation of its guarantee or equity mandates.

Support that international institutions can bring is not only financial. The **European Investment Advisory Hub** is a great example of technical assistance. As a single point of entry to a comprehensive offer of advisory services and technical assistance, it helps regions to identify, prepare and develop investment projects across the European Union[106].

EBRD's contributions are also sizable. With an average investment of EUR 25 million, project finance ranges from EUR 5 million to EUR 250 million. The types of instruments range from loans to equity and guarantees. Under its Small Business Initiative, the EBDR also brings advisory services and other forms of support to local and regional projects. The 'Regional EU cohesion funds water co-financing framework' in Romania is a good example of EBDR's financial support of municipal and environmental infrastructure. It involved a EUR 200 million framework to co-finance projects in Romania's water and wastewater sector alongside EU Cohesion Funds[107].

A **useful tool to learn about Financial Instruments** under European Structural and Investment Funds (ESIF) is *https://www.fi-compass.eu*, providing a comprehensive overview on relevant financial instruments, case studies, news, learning videos and events. Country-specific information regarding the state of play of ESIF financial instruments is particularly insightful, enabling stakeholders to navigate easily through the information.

EUROPEAN INVESTMENT BANK INSTRUMENTS

The following instruments can be useful when implementing territorial and local development strategies:

- **Structural Programme Loans (SPL).** SPLs blend loans and grants linked to EU policy and EU structural fund mechanisms. The structural funds are aimed at new investments complementary to funds provided by regions and countries. SPLs assist the regions and countries to find these additional resources and comply with the additional funds to implement their programmes.
- **Investment Loans.** The purpose is to arrange long-term financing on a project-basis. The EIB or other banks can provide dedicated project-specific loans used for single investments.

Additional resouce

106 More information on the Advisory Hub is available at *https://advisory.eib.org/about/the-hub.htm*

107 *https://www.ebrd.com/work-with-us/projects/psd/regional-eu-cohesion-funds-water-co-financing-framework-r2cf.html*

- **Framework Loans.** These finance small and medium sized projects, usually in the size range of EUR 1-50 million, over a period of three to five years. Some local authorities and regions that benefit from ESIF use EIB framework loans to provide the co-financing requirement. The total size of the investment programme financed under a framework loan is usually over EUR 100 million, with the EIB framework loan providing up to 50 % of the total financing.

For more information

European Investment Bank – Loans: *https://www.eib.org/en/products/loans/index.htm*

Some of the main challenges in promoting the use of these sources of finance is the lack of qualified personnel and information gaps for their use. These challenges not only concerns the planning but also the implementation and follow-up phases of strategies. Partnerships of the EIB and commercial banks address these challenges by bundling EIB funding and commercial loans, as well as by providing advisory and in-kind support. The so-called *Belfius*[108]*/EIB Smart Cities & Sustainable Development programme* in Belgium is an example of a successful programme.

In Belgium, borrowers were able to **combine EIB funding and commercial loans,** saving them time in the research and application process via the Belfius/EIB Smart Cities & Sustainable Development programme[109]. More than 120 smaller Belgian municipalities sought loans via the programme between 2014 and 2018. The programme not only lowered the borrowing costs but also the administrative burden. Many Belgian Belfius bank branches participated. As a result, it is easier for borrowers to find a contact person in a local branch that understands the bespoke risk profile of the borrower and project. Moreover, learning was effectively disseminated via case studies in a dedicated magazine, online presence and other information material. Awards for successfully funded projects in Belgian regions helped other regions learn about best practice examples.

Recognising the need of local communities to receive systematic technical support before they can access investment finance, the European Island Facility helps islands in mobilising funding for energy transition from the bottom up. The objective is to make projects ready for external finance from various sources.

Additional resouce

NEW ENERGY SOLUTIONS OPTIMISED FOR ISLANDS (NESOI) EUROPEAN ISLAND FACILITY

This European Commission's Horizon 2020 project benefits 2.400 inhabited islands across the EU. Its goals are to mobilise more than EUR 100 million investment in 60 sustainable energy projects to significantly reduce CO2 and GHG emissions by 2023.

The NESOI Facility provides training, technical support, cooperation opportunities and facilitates access to robust funding opportunities. It aims to create a one-

108 Belfius Bank & Insurance is a well-established Belgian retail and commercial bank providing financial services for the public and corporate sectors. It is wholly owned by the Belgian Government via the Federal Holding and Investment Company (SFPI). Its shares are not listed on a stock exchange.

109 *https://www.belfius.be/publicsocial/NL/Themas/Smart-Cities/index.aspx?firstWA=no*; *https://www.eib.org/en/projects/pipelines/all/20150899*; *https://www.eib.org/en/press/all/2016-039-deux-nouveaux-projets-intelligents-et-durables-a-silly-grace-au-programme-de-financement-de-belfius-et-la-bei-smart-cities-sustainable-development.htm*

stop-shop for islands to find ideas and effective organisational, technical and financial instruments for the whole value chain of a project. In addition, the consortium provides on-site technical assistance and fund-matching.

Activation of financial resources is at the heart of the project. Possible financial providers include investment funds, crowdfunding platforms, development banks and commercial banks. Financial models range from loan agreements to direct equity holding, public private partnerships, energy performance contracts and project bonds.

Among the outcomes of the project there is a report that gathers data regarding funding sources available in Europe for islands, identifies relevant financial models and creates a map of the most important financing opportunities for energy solutions on islands.

For more information

NESOI website: *https://www.nesoi.eu/content/nesoi-objectives*

Mapping of financial instruments:
https://www.nesoi.eu/content/d15-mapping-financial-instruments

Dedicated financial instruments to facilitate local investment

Even where **beneficiaries** can access EU funding, they need resources for their **own contribution to projects,** and they may also need **bridging loans to finance the investment** until it can be reimbursed from the grant. To address this, the Bulgarian Fund for local authorities and governments reduced the administrative burden by granting smaller bridging loans and loans for own contribution in support of regional developments. Simplified procedures, short-term request processing and technical support facilitated more than 1300 loan agreements in many non-urban Bulgarian municipalities between 2009 and 2021.

Learning from practice

THE FUND FOR LOCAL AUTHORITIES AND GOVERNMENTS (BULGARIA)

Established in March 2007, the Fund for local authorities and governments is a state-owned instrument for regional development. It grants loans for project implementation to municipalities, associations and companies with municipal participation. It grants two types of loans to beneficiaries that implement projects financed by EU funds or other multi-donor arrangements:

1. Bridging loan – provides running capital for eligible costs, payments on projects with financial support from EU.
2. Loans for own contribution to projects.

Between 2009 and 2021 the Fund supported more than 200 municipalities, representing 25 % of the municipal debt in Bulgaria (excluding Sofia). It encompasses 1300 loan agreements for a total of EUR 1 billion, supporting projects for EUR 3.6 billion.

It is particularly relevant for non-urban municipalities as it helps borrowers reduce the administrative burden by means of simplified procedures, short-term request

processing and technical support. Flexibility on financial instruments and competitive interest rates lower the borrowing costs and enable municipalities of different creditworthiness to access loans.

For more information

Project support, financed by EU OP funds: *https://www.flag-bg.com/en/?cid=10*

An overarching problem in the promotion and utilisation of other sources of finance is the **average project size.** It is generally easier to attract finance for larger projects, which are beyond reach of CLLD strategies. Coordination with other municipalities to bundle projects is one possibility to increase the project size. Yet this might provoke other practical problems to arise, such as deciding upon the roles in managing the overall project coordination.

Debt ceiling regulations are another challenge for local authorities. Such a regulation makes it more difficult to seek a loan. Another entry barrier to traditional finance is the inability to offer sufficient assets as collateral to secure the loan. The use of collaterals for loans is more complicated for public than for private actors. In Bulgaria, the fund for local authorities and governments took budgetary restrictions of municipalities into consideration when designing the loan instruments. This level of flexibility allowed municipalities of different credit worthiness to access loans. Technical assistance was also of tremendous help in making projects bankable in their context.

For energy-efficiency projects like building renovations, debt ceiling may be lowered by use of **Energy Service Companies** (ESCOs). ESCOs are not just energy consultants but also financiers of hardware instalment and maintenance. Their remuneration is linked to energy savings. The financing is often tied to energy savings achieved. Project owners thus also benefit from the technical and financial expertise of ESCOs in designing, implementing and following up on building renovations and other projects.

Additional resouce

TECHNICAL SUPPORT FOR INVESTORS IN ENERGY EFFICIENCY

The Joint Research Centre (JRC) of the European Commission provides a comprehensive overview of the activities and development of Energy Service Companies (ESCOs) as part of the Scientific & Technical Reference System on Renewable Energy and Energy End-use Efficiency.

Another source of support is the H2020-financed Investor Confidence Project (ICP Europe) that assists investors in energy efficiency with templates, certifications and case studies. It is also a matchmaker platform for investors and projects. Bespoke expertise is provided for Germany, Bulgaria, Austria, Portugal and the UK. Ultimately, ICP Europe intends to build a marketplace for standardised energy efficiency projects, which would greatly facilitate access of such projects to the financial markets.

For more information

Energy Service Companies: *https://e3p.jrc.ec.europa.eu/node/190*

Investor Confidence Project Europe website:
https://fedarene.org/investor-confidence-project-europe

Some financial instruments require **special purpose vehicles (SPV).** An SPV is a subsidiary company that is formed to undertake a specific business purpose or activity. The aim is to isolate parent company assets, operations or risks. Such a set-up must be actively managed over a longer time-period. This entails annual audits and ongoing legal and management costs over the project life-cycle.

Be careful!

National and regional authorities can sometimes **encourage lenders to support local projects.** For example in the Spanish regions of Extremadura, Asturias and Galicia, the regional managing authorities negotiated with the local savings banks to develop special products for LEADER LAGs and their beneficiaries. In Extremadura and Asturias such negotiations were facilitated by the regional LAG networks. Financial products covered by such agreements included credit lines and guarantees for LAG running costs, bridging loans and other types of loans. In Galicia, small-scale grants were also available from the banks' social fund. In return, the banks required preferential treatment by the LAGs, for example through publicity, dissemination of information among beneficiaries, participation of the bank's representative in decision making, channelling the financial operations of the LAGs or LAG network through the bank etc.[110]

Participatory forms of finance

Next to traditional financial instruments like bank loans and private investors, territorial strategy owners may also consider **participatory or citizen-led finance.** This may be a more feasible solution, especially for smaller-scale or non-public beneficiaries. Specialised (micro-)finance institutions and crowdfunding are the most popular sources of this type of finance. Examples of successful crowdfunding campaigns vary from football stadiums to social businesses, energy poverty alleviation programmes, energy communities, social housing and solar roofs amongst others. Revenue-generating investments such as energy-efficiency building renovations and solar roofs are particularly prone to this type of finance.

The **timing of a financial and operational project** does **not** always **coincide with the legislature period** of decision-makers. Some investment projects (for example linked with energy efficiency) can take up to 15 years.

Be careful!

One of the many benefits of crowdfunding campaigns and other participatory forms of fundraising **is citizen engagement.** Financial returns are shared with people living nearby. In the example below, the Croatian municipality of Križevci was able to finance and install solar roofs on administrative buildings without taking any debt. The roofs were fully financed by their citizens. Citizens benefited from the economic returns and took an active role in the rollout of clean infrastructure. It is a very effective form of engaging citizens in a proactive way and making them feel the ownership of projects and of territorial strategies.

110 More information: *https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/28290910_MAMEETING_UBS_example_Spain.pdf*

Learning from practice

THE SOLAR ROOFS COOPERATIVE (CROATIA)

In 2014, citizens financed a 30-kW photovoltaic installation on an administrative building in Križevci via a cooperative. The municipality of approximately 21 000 inhabitants partnered with the energy cooperative Zelena Energetska Zadruga (ZEZ), the United Nations Development Program (UNDP) and others to finance and implement the project.

The solar roof primarily covers the building's own power consumption. Surplus is fed into the grid at pre-defined purchase prices. The owner of the building leases the photovoltaic installation from the cooperative, which buys, owns and maintains the hardware.

This was the first Croatian solar project primarily financed by citizens. Within ten days, 53 small investors invested into the project via a micro-loans model, ranging from EUR 130 to EUR 1 300. In return, citizens receive annual interest rates of 4.5% over a period of 10 years. The project's finances were set up under an SPV structure. Another positive effect was citizen engagement.

By opening the finances of the project to smaller investors, local citizens played an active role in fostering the rollout of renewables in their own community. This also created positive publicity for the municipality and its stakeholders.

ZEZ was established in 2013 as part of the project 'Development of Energy Cooperatives in Croatia' implemented by UNDP. Other important partners were the Regional Energy Agency North, Greenpeace Croatia, Solvis and ACT Group. Upon completion of the project, ZEZ continues to operate independently as an umbrella organisation for energy cooperatives in Croatia. The pilot project served as a means to disseminate learnings and generate efficiencies via a handbook and conferences. ZEZ is also part of Rescoop.eu, the European federation of energy cooperatives.

For more information

Crowd investing pilot project in cooperation with City of Križevci – group financing for photovoltaic power plant: *https://www.zez.coop/en/crowdinvesting-pilot-project-in-cooperation-with-city-of-krizevci-group-financing-for-photovoltaic-power-plant*

United Nations Development Program (UNDP), *Manual for the establishment of energy cooperatives in Croatia,* 2014. Available at: *https://www.zez.coop/en/manual-for-the-establishment-of-energy-cooperatives-in-croatia-2014*

Official website Rescoop: *https://www.rescoop.eu/network*

To navigate the emerging landscape of citizen-led financing and better understand it, a review of the underlying types of financing is useful. Different types of financing include amongst others:

- **Specialised financial institutions** such as credit unions, cooperative banks, charity banks, micro-credit organisations, etc. These are often managed in a participatory way (e.g. cooperative banks or credit unions) and usually offer more favourable terms and conditions for their loans than commercial banks do; they can take into account the specificity of the smaller-scale borrowers.
- **Cooperatives** – individuals join and democratically control an enterprise. They buy a cooperative share. Cooperative members share profits amongst themselves. The cooperative model is particularly popular for clean energy projects.

- **Donation-based crowdfunding** – people donate money. No returns are expected.
- **Debt-based crowdfunding** – people give small loans for projects, expecting financial returns. The type of loan sub-ordinate or ordinate varies per crowd-funding platform. This is particularly common for return-generating energy projects and loans to businesses.
- **Equity-based crowdfunding** – people invest in an equity and expect a return. Startups are typically financed via this model.

Learning from practice

EASTERN CANTABRIA LOCAL ACTION GROUP (SPAIN)

Primary producers, such as farmers or fishers, usually find it very difficult to access funding from classical financial institutions. Several initiatives across the EU have looked for ways to facilitate access to funding for fishing communities within CLLD funded from the EMFF. LAGs have teamed up with financial institutions to develop special products targeting fishers or other businesses in their area. The LAG's knowledge of the fisheries and business sector and the availability of LAG support in implementing the project were considered an important asset, which reduced the lenders' risk linked with financing small-scale operators, thus bringing down the cost of the loans.

In Spain, the Eastern Cantabria LAG has partnered with a local microcredit institution MicroBank, a social branch of the Caixabank, to help project promoters that do not have the standard profile that most banks demand in order to provide a loan. Through this partnership, the LAG can help community members secure the private match funding needed to complement the LAG grant as well as help those whose projects do not receive a grant.

This collaboration with MicroBank takes the form of a contract between the two organisations, whereby the FLAG:

- Provides MicroBank with the necessary knowledge on the applicant for microcredit.
- Assesses the viability and coherence of business ideas of would-be entrepreneurs and provides specialist advice necessary to draw up their business plan.
- Approves the feasibility of the project and writes the assessment report, mandatory to obtain a loan from MicroBank.
- Sends the application to MicroBank for final approval.

For more information

FARNET Good Practice Method on Cantabria:
https://webgate.ec.europa.eu/fpfis/cms/farnet2/on-the-ground/good-practice/methods/flag-collaborates-microcredit-institution-support-new-local_en.html

RECOMMENDATIONS

- Ensure that the budget and funding sources of a territorial strategy are determined primarily by the local needs and implementation capacity of the body in charge of the strategy.
  - Don't try to address too many needs with your strategy – choose your priorities in line with the available funding and a realistic assessment of where you can make a difference. However, avoid strategies that are purely driven by the funding rules.
  - Be well aware of your own capacity and experience in choosing a specific funding option to support an integrated territorial strategy (local and regional authorities can use the ABC Self-Assessment Instrument to assess their own administrative capacity).
  - Use the opportunities of capacity building offered by specialised regional, national and EU bodies.
- Make use of the new EU cohesion policy options for a simplified support to integrated territorial strategies:
  - Use the specific objective under Policy Objective 5 to support integrated non-urban strategies also within a programme supported by a single fund.
  - Use the broad scope of other policy objectives to support integrated territorial strategies.
  - Use the available territorial tools to implement integrated strategies with the support of different funds and programmes.
- Make sure the local level benefits from the envisaged simplification measures; in particular.
  - Make use of a wide range of simplified cost options.
  - Consider the possibility of introducing other forms of simplification for local actors, for example umbrella projects, advance payments or payments in instalments.
  - In case of multi-funding, make use of the possibilities of the Lead Fund.
- When allocating funding for integrated territorial strategies, take into account the need for critical mass necessary to address needs and make a difference in the area. To reach this, managing authorities can also look beyond the EU cohesion policy.
  - EAFRD, the new JTF and the RFF may offer additional European funding opportunities.
  - Local, regional or national funding is normally used for co-financing EU projects, but may also be an option if needed investments fall outside of the scope of available EU funds, if the EU funds have limits on eligibility or if national programmes are easier to access.
  - Managing authorities should allocate national or regional public co-financing to the strategy as a whole, rather than on a project-by-project basis.
  - Where possible, managing authorities should facilitate access of local level actors to additional sources of funding (e.g. by providing guidance and technical support etc.).

- Partnerships of the EIB and commercial banks can effectively address the particular needs of regions by.
  - Intermediating smaller loans in simplified procedures.
  - Providing technical assistance in making projects bankable.
  - Combining EIB funding and commercial loans, lowering the administrative burden of finding and applying to support schemes.
- Local strategy owners shouldn't limit their search for funding to the mainstream financial institutions – they can also involve micro-finance institutions, credit unions, cooperative banks, etc.
- Involving citizens in the finance of regional projects, for example via crowdfunding, can bring benefits by.
  - Effectively communicating projects and territorial strategies to their citizen and engaging them actively in the process.
  - Making local actors less dependent on bank loans and other commercial sources of finance.

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Chapter 6

MONITORING

Contributors

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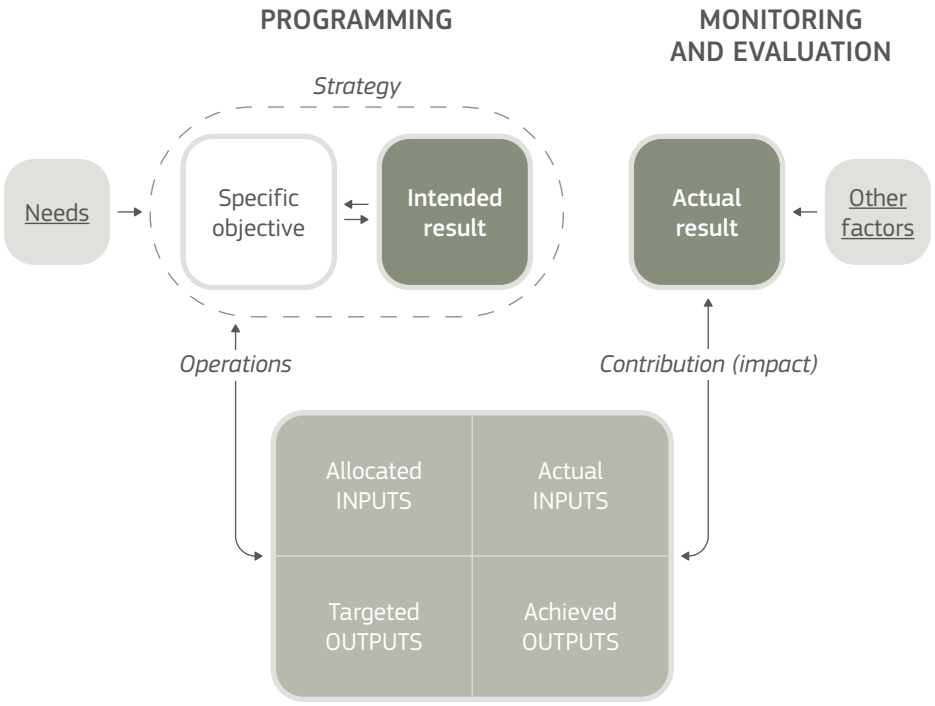
The monitoring of territorial and local development strategies is crucial for their success. Monitoring generates important data and knowledge to track progress with respect to previously identified targets and objectives and to inform necessary revisions. It is necessary to generate information that feeds into future evaluation activities. The absence (or unreliability) of monitoring data makes it difficult to measure the effectiveness of strategies in delivering territorial and local development outcomes, in absolute terms, or in relation to the effectiveness of other delivery methods (including mainstream EU cohesion policy programmes). Moreover, a robust monitoring system supports transparency, accountability and the visibility of EU support 'on the ground'. By demonstrating what territorial and local strategies are achieving and what is working in terms of implementation, effective monitoring strengthens the ownership of initiatives by stakeholders. This is particularly important in the case of local strategies where an important objective is mobilising the participation of local communities in strategic development and ensuring their commitment over the long-term.

The role of monitoring is emphasised by the increasing efforts in the EU cohesion policy to design result-oriented strategies with a clear logic of intervention that is directly linked to a framework for measuring results. Put simply, the starting point for strategies is the analysis and prioritisation of the needs to be addressed, followed by the allocation of resources through operations to address these needs. Monitoring examines whether the anticipated results are being obtained or, conversely, whether changes are needed in the implementation and efforts should be re-targeted. Monitoring information is also used to design and inform evaluation activities to understand what has been achieved and how by programmes and strategies (see Figure 5).

FIGURE 5. The role of monitoring in the management and implementation of EU investments.



Source: EC, 2015.

Thus, a monitoring system that is capable of tracking progress towards established results is an essential component of developing a territorial or local development strategy. This includes the selection of a coordinated set of indicators and also data gathering arrangements to support learning about policy actions in the territory.

Be careful!

Monitoring and evaluation are two distinct yet complementary processes. Monitoring is a continuous process of systematic data collection throughout the life cycle of a policy intervention to track its progress. It provides information on where an initiative is at any given time relative to respective targets and objectives. Monitoring is one of the sources that inform evaluations, which entail a more in-depth assessment of whether public action actually achieved its objectives and how.

Evaluation also assesses whether the objectives have been met efficiently, as well as the reasons for its success or failure. It also addresses the issue of a causality between the effects and the policy intervention. Evaluation should also identify any unintended or unexpected effects, whether positive or negative. Evaluation complements monitoring in the sense that when a monitoring system signals that public action is diverging from is intended path, then the launch of an evaluation exercise can clarify the reason of such a diverging path (i.e. expected targets and results). The implication is that monitoring can be used to collect data for the evaluation (European Commission, 2021b).

Monitoring EU-funded, territorial and local development strategies is rather challenging. Developing indicators and generating data to capture integrated territorial effects and success is difficult and problems can arise in specific settings. In some localities, integrated territorial investments represent a new approach and delivery mechanism compared to traditional approaches based on more top-down, sectoral measures that target areas based on administrative units. This shift can create challenges in mobilising local participation and strengthening local capacity

in monitoring these initiatives. Data-collection can be expensive, time-consuming and frustrating.

Beyond the local context, it is important to take into account that local strategies are part of multi-level architectures. Accordingly, **monitoring systems are expected to demonstrate strategies' contribution not only at a local level, but also at programme, national and EU levels.** Different stakeholders will benefit from different types of monitoring information and each local strategy must consider the various arenas in which this data and the knowledge generated are disseminated. Monitoring will take place at several levels with regards to financial and substantive progress and the type of data required; its territorial and thematic scope will differ across these levels (see Table 5).

TABLE 5. Monitoring local strategies at multiple levels.

European Union	Member State	Operational Programme (OP)	Territorial & Local Development Strategy
Support to EU priorities: (competitiveness, low-carbon, mobility, social inclusion)	Contribution to Partnership Agreement priorities	Contribution to OP objectives and priorities	Achievement of strategy's specific targets
Contribution to cohesion policy common indicators	Complementarities with national and regional strategies and measures	Contribution to OP's specific indicators	Local added value (e.g. development based on local assets, innovation, improved local capacity for change)
Contribution to climate targets		Compliance of projects with regulations for grant implementation	
Community added value of 'territorial dimension', including policy objective 5			

This chapter addresses four main challenges of monitoring systems and presents potential solutions and sources of support to address these.

The first challenge relates to the fact that **monitoring systems should be able to capture and follow the expected changes set out in the strategy's logic of intervention.** The key objectives and actions of strategies should be directly linked to a framework for measuring results. This emphasises the importance of selecting the most appropriate indicators and units of measurement of those indicators that relate to the objective to be achieved. However, local and territorial strategies face challenges in choosing indicators to address different dimensions of measurement: integrating indicators for sectoral and territorial priorities; ensuring accurate territorial coverage; balancing 'hard' indicators for tangible results with 'soft' indicators that capture less visible but important results; and combining the measurement of short-term/long-term results.

The second challenge acknowledges that for small local authorities, monitoring strategies represents a significant task. **Data availability and collection capacity in territories with specific geographic features is often a challenge and data consistency can be problematic.** In rural or remote areas with dispersed settlement patterns or in insular or cross-border settings, local-scale socio-economic processes are complex and collecting data at an appropriate scale to assess achievements of territorial or local development strategies against these patterns is challenging.

The third one outlines that monitoring by itself does not improve the performance of local and territorial strategies. I**n order to be effective, monitoring must play an integral role in the overall process of local strategy design and delivery.** It is vital for local strategy owners to ensure links between monitoring, evaluation processes, communication arrangements and overall strategy governance so that the information collected is used to improve strategy implementation and policymaking.

Finally, the fourth challenge stresses that s**trategy owners must also consider how to involve stakeholders in monitoring.** Engagement of local communities in monitoring increases ownership, autonomy and accountability and strengthens local commitment to implement corrective actions. However, there are challenges in engaging with citizens and communities, particularly more marginalised actors. Mobilisation demands careful planning as it involves the investment of time and human resources of strategy owners, communities and citizens.

- *How to design and implement a monitoring system with appropriate indicators and a strong intervention logic.*
- *How to address capacity challenges in ensuring the availability of datasets and arrangements for collecting and analysing monitoring data.*
- *How to embed monitoring in the policy cycle for better knowledge.*
- *How to mobilise relevant actors (including citizens) in monitoring activities.*

CHALLENGE 1: How to design and implement a monitoring system with appropriate indicators and a strong intervention logic

Monitoring systems should be able to capture and follow the expected changes set out in a strategy's logic of intervention. The logic of intervention is a clear and well-thought-out representation of how planned actions are expected to lead to desired outcomes. Essentially, the logic of intervention clarifies how a change induced by policy action contributes to the achievement of strategic goals. The key objectives and actions of strategies should be directly linked to a framework for measuring results. This underlines the importance of developing a coordinated, tailored set of indicators for strategies. The main categories of indicators to consider are:

- **Input – what is being committed?** This relates to the resources committed to initiatives covered by interventions in strategies and can include financial inputs, technical expertise and commitment of human resources.

- **Output – what does the action deliver?** Values are used to measure the outputs of the operations supported or the outputs at operational programme level. Indicators here concern the specific deliverables of the intervention. They measure what is produced or bought about by the commitment of resources.
- **Result – what does success look like?** Values are used to measure the results generated by supported projects, or the results achieved at operational programme level. These indicators match the effects of the intervention with particular reference to the direct addressees i.e. the benefit and outcome of interventions related to (or derived from) the use of outputs. These results, for instance, refer to the performance of beneficiaries, investments triggered, increased access to services, etc. (European Commission, 2021a).

Additional resouce

EC (2021) THE BETTER REGULATION TOOLBOX

The 'Better Regulation' 2021 Toolbox of the European Commission provides a set of criteria to ensure the quality of indicators. In particular, indicators should be 'RACER'[111]:

- **Relevant,** i.e. closely linked to the objectives to be reached (does the indicator really capture the change you described as your output/outcome?).
- **Accepted** (e.g. by staff, relevant stakeholders). The roles and responsibilities for the indicator need to be well defined.
- **Credible** for non-experts, unambiguous and easy to interpret (e.g. from the way the indicator is phrased, is it clear what exactly will be achieved? What exactly will be measured, in which geographical area, by which units?).
- **Easy** to monitor (e.g. at low cost and with an acceptable administrative burden. Do you have the expertise, time and staff to collect the required data?).
- **Robust** against manipulation (European Commission, 2021b).

For more information

European Commission (EC), *Better Regulation Toolbox,* Document complementing the Better Regulation Guidelines presented in SWD (2021) 305 final, Publications Office of the European Union, Luxembourg, 2021b. Available at: *https://ec.europa.eu/info/sites/default/files/br_toolbox-nov_2021_en_0.pdf*

There are key questions that must be faced in developing indicators based on a strong intervention logic:

1. **What are the needs that the strategy will address and what is the expected contribution to its objectives?**

   Example: the strategic objective is to increase the growth of those local small and medium sized enterprises (SMEs) with growth potential, in particular facilitating the creation of new economic activities linked to local products.

Be careful!

111 On top of the 'RACER' criteria, the 'Better Regulation' Toolbox (European Commission, 2021b) indicates other important criteria that should be considered. Changes in the indicator should be attributable to the initiative. Data should be easily/readily available and of a good quality. Indicators should capture the effects due to the initiative within a reasonable length of time. For monitoring progress, it is important to clarify the link to the relevant policy objective, have a baseline (starting point) and explained target values to put the indicator value into context. Finally, indicator definition should come with the unit of measurement, the source of the data, frequency of data collection and any other relevant information to facilitate data sharing, use and reuse, and aggregation. *https://ec.europa.eu/info/sites/default/files/br_toolbox_-_nov_2021_-_chapter_5.pdf*

2. **What will be the relevant actions to support beneficiaries?**

   Example: Support for the establishment of small enterprises and for the diversification of small enterprise activities. Output indicators: Number of enterprises receiving grants or financial support other than grants; total investment in enterprises.

3. **What is the change expected for beneficiaries?**

   Example: No. of new/innovative methods adding value to local products, no. of new firms, products developed, employment increase within SMEs, Gross Added Value on supported enterprises; increase in the number and types of customers (result indicators) (INTERACT, 2020).

Strategy monitoring systems should take into account the multi-level architecture in which they are embedded, which translates into different information/data needs and interests.

Monitoring strategies as part of EU cohesion policy programmes

In the 2021–2027 programming period, territorial strategies supported by the EU cohesion policy must allow for reporting of monitoring data for their projects, based on indicators set by contributing programmes and priority axes (as well as by Fund and category of region, where appropriate). These have to be linked to specific objectives with milestones to be achieved by the end of the year 2024 for output indicators; and targets to be achieved by the end of the year 2029 for output and result indicators. Moreover, the cohesion policy regulatory framework for 2021–27 has specific provisions for a performance framework for Integrated Territorial Investment (ITI), Community-led Local Development (CLLD) and other territorial tools.

Monitoring the specific objectives of local and territorial strategies

It is important to have indicators that relate to the objectives of the local or territorial development strategy itself. EU cohesion policy programme-level indicators are often too generic and linked to the needs and interests of a higher administrative level so they tend to miss specific territorial development effects.

Strategy-level monitoring is needed to generate data on the effectiveness and added value of these territorial instruments. Therefore, strategy owners should develop a set of indicators that allow monitoring the progress and results of strategy implementation. The proposed set of strategy-level indicators should then be discussed with the relevant programme authorities in order to align them with programme indicators for comprehensive measurement.

The development of strategy-level indicators involves a series of tasks:

(a) Reconciling functional/administrative boundaries for identifying indicators and data sources. Local and territorial strategies may cover functional spaces (inter-municipal, cross-border, 'travel to work', etc.) that cut across administrative boundaries. It creates difficulties where different administrative units use different datasets. However, across Member States there

is increasing recognition of the need to measure development processes that traverse administrative borders. Strategy owners should check the existence of national or regional monitoring platforms that integrate different data sources (social, economic, cartographic) as these can inform the selection of strategy-level indicators. For example, in France the Observatoire du Developpement Rural (ODR) works as a key database for monitoring Rural Development Programmes' progress. It integrates different data sources and provides a collection of data maps that cover functional areas (e.g. less favoured areas, natural parks, employment zones, etc.).[112]

(b) Balancing monitoring of short-term/long-term results. Local and territorial strategies address issues that require immediate interventions but are associated with long-term processes and high-level goals. Such priorities include climate change (e.g. in rural economies relying on climate-sensitive resources and activities); demographic change (where the flow of people across borders and between urban and rural areas has implications for service provision and sustainability); and digitalisation (e.g. the need for better access to e-services in some territories). In such cases, strategy owners should combine indicators that measure immediate responses (e.g. construction of climate-proof infrastructure) with indicators that provide a sign of progress towards the longer-term achievement of strategy objectives (e.g. number of villages, communities with adaptation/ resource management/ environmentally sustainable strategies/plans).

(c) Domestic and international indicator sets relating to long-term processes can be adapted for specific territories. Indicators and targets for issues such as climate change are often set at global and/or national levels and in many territories it is difficult to disaggregate indicators at the local level. However, strategies can adapt domestic or international indicator sets for their own use. This has the advantage of limiting the scope for duplication and the administrative burdens associated with developing a monitoring system and a new set of indicators. It also strengthens coherence and complementarity between measures implemented together in the same territory.

Learning from practice

ADAPTING NATIONAL AND INTERNATIONAL INDICATOR SETS FOR LOCAL STRATEGIES IN BELGIUM

Territorial or local development strategies provide a potential implementation vehicle for the Sustainable Development Goals (SDGs) adopted by the United Nations (UN) as the basis for its aspirations to work towards global sustainability, representing an opportunity to mainstream and/or upscale prior and ongoing action undertaken at community scale. The UN's global indicator framework includes 232 unique indicators (one or more indicators for each of the 169 targets of the SDGs). These indicators are not linearly applicable or available at municipality level but they can be adapted and translated at the local level to monitor the progress of strategies. For example, the Association of Flemish Cities and Municipalities (VVSG) is working with local authorities to localise the SDGs at the local level with a pilot project involving 20 local governments integrating SDGs into local multi-annual plans. A set of local SDG indicators, broken down along the lines

112 *https://www.reseaurural.fr/le-reseau-rural-francais/les-projets-soutenus-par-le-rrn/lobservatoire-du-developpement-rural*

of the '5 Ps' – People, Planet, Prosperity, Peace, Partnership – were developed and, within this, a chart with 54 basic indicators to help administrations. They together cover the 17 SDGs. One to five indicators are used for each SDG. These are representative indicators that together give a clear idea of the SDGs as a whole, which data are usually centrally available, and which have a clear link with the global indicators. This allows municipalities to select a limited number of indicators that best match the goals, action plans and actions that they want to monitor. To help identify appropriate indicators, work has also been done to link local level policy priorities to the SDGs.

For more information

Local2030: Localizing the SDGs website:
https://www.local2030.org/library/tools/monitoring-and-evaluation

Additional resouce

JRC (2022) EUROPEAN HANDBOOK FOR SDG VOLUNTARY LOCAL REVIEWS – 2022 EDITION

Although primarily aimed at cities, the European Handbook for SDG Voluntary Local Reviews (VLRs), developed by the Joint Research Centre (JRC) of the European Commission, offers ideas to all local development practitioners. VLRs are a fundamental instrument to monitor progresses and sustain the transformative and inclusive action of local actors towards the achievement of the Sustainable Development Goals (SDGs) in general, and competitive sustainability in particular.

The Handbook provides key examples of official and experimental indicators useful to set up an effective SDG local monitoring system. Per each goal, the Handbook highlights examples of harmonised and locally collected indicators so that local actors can both benchmark themselves with other cities and monitor their own specific needs and challenges.

For more information

Localising the Sustainable Development Goals website:
https://urban.jrc.ec.europa.eu/sdgs/?lng=enn

(d) Balance 'hard' quantitative indicators and 'soft' qualitative indicators that capture intangible but important results (e.g. coordination capacity, participation, cooperation, etc.). Strategy-level indicators should measure less tangible achievements and added value beyond the results and impacts of physical outputs. These less tangible achievements include:

- **the strategy's integrated effects,** which might be lost if indicators only measure particular (sectoral) contributions separately. Strategy owners can capture integrated effects by bringing together different indicators under specific strategic objectives.
- **community participation achieved through the bottom-up approach.** Assessment of the added value generated through the delivery mechanism can cover changes in peoples' behaviour leading to increased ownership and the improvement of social capital and local governance, which can contribute to structural changes in the territory. Relevant indicators include: increased collaboration on joint projects, shared learning and knowledge transfer, strengthened voluntary, community and social enterprise activities, etc.

Learning from practice

SUNDERLAND CLLD STRATEGY (UNITED KINGDOM)

The monitoring and evaluation plan for Sunderland CLLD illustrates some of these aspects of strategy-level indicators, integrating different indicators under specific strategic objectives and including 'soft' qualitative indicators related to community capacity and partnership working. The CLLD Local Action Group (LAG), working with programme authorities, used the intervention logic of the Local Development Strategy (LDS) as a starting point for monitoring and evaluating the 'core' outputs of the European Social Fund (ESF) and European Regional Development Fund (ERDF) while capturing the impacts and outcomes that the strategy has on local people, communities, businesses and the environment.

Summary of the intervention logic			
Local needs / opportunities	Local objectives / targets	Proposed actions	Performance indicators
Strategic objective 1: Enhancing employment and skills provision (ESF)			**39.6 % LDS indicative allocation**
• Jobs / Skills Mismatch • Distance from labour market, employment prospects for disadvantaged groups • Unskilled adults with no qualifications	• Acquiring skills to ensure CLLD target groups access new jobs • Enabling those furthest from local labour market to get closer to and into work • Improved knowledge of local provision, sign-posting and joint delivery	• Training activities and skills options that match local residents with employment opportunities • Pathways to employment initiatives and in-work progression • Targeted local interventions for those missing out on support	• Positive progression towards employment, training, volunteering or other outcome • Improvements in participation levels and local employment rates • Improved coordination of employment and skills provision
Strategic objective 2: Boosting enterprise and entrepreneurship (ERDF)			**25.85 % LDS indicative allocation**
• Low levels of enterprise awareness and formation • Too many barriers to entrepreneurship	• Improving enterprise culture and local infrastructure with higher numbers of entrepreneurs, SME start-ups, survivals and expansions • Improved economic performance	• Enterprise awareness and coaching activities • Activities to convert business ideas and skills into new enterprises	• Increase in start-ups and progression towards enterprise • Improved awareness of enterprise infrastructure
Strategic objective 3: Improving community capacity, partnership working and social innovation (ESF)			**24.2 % LDS indicative allocation**
• Low levels of social capital and community engagement • Low success rate / take-up of funds / resources for community development projects	• Stronger community infrastructure and capacity-building support • More resources / funding mobilised to invest in local people and assets • Greater community participation, engagement, cohesion, social inclusion	• Social capacity-building actions, leadership and volunteering support • Mentoring, collaboration and community development actions • Social investment support	• Improved sustainability and resilience of VCSE sector • Increased collaboration on joint projects • Shared learning and knowledge transfer • Better connected communities

Baselines to monitor progress and change were identified through a detailed socio-economic profile of the CLLD area and targets for performance indicators were informed by the level of allocated funding.

For more information

CLLD in Sunderland: Evaluation and monitoring plan (September 2017): *https://www.sunderland.gov.uk/media/19951/Sunderland-CLLD-Monitoring-and-Evaluation-plan-Oct-2017/pdf/Sunderland_CLLD_Monitoring_and_Evaluation_plan_Oct_2017.pdf?m=636540461813270000&ccp=true#cookie-consent-prompt*

STRAT-Board Strategy Fact Sheet: *https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=UK-CLLD-011&fullscreen=yes*

CHALLENGE 2: How to address capacity challenges in ensuring the availability of datasets and arrangements for collecting and analysing monitoring data

Territorial and local strategies require a robust system for generating, collecting and analysing monitoring data. This can involve, for instance, direct data collection from participants/entities (e.g. questionnaires or surveys) or data extracted from administrative registers. Data should be accurate and collected and recorded in a timely way in order to inform strategy implementation and evaluation. A key challenge is ensuring the capacity for collecting information for measuring the results of integrated measures in specific territorial contexts and maintaining it over time. There is often substantial variability in the type of indicators and datasets typically used by these strategies, in keeping with their diverse territorial coverage and objectives.

Designing a proportionate monitoring system

The scale and complexity of the monitoring system needs to be proportionate to the size of strategies and their operations. For regional and larger local governments, particularly in metropolitan areas, capacity is less of a concern. However, in the case of smaller authorities, with less resources and experience, developing an efficient monitoring system involves key tasks.

- **Reduce the complexity and number of indicators.** It is important to be aware that balancing programme, strategy and project level indicators can produce excessively large indicator sets that are difficult to apply.
- **Develop a data collection plan,** identifying: what specific data are needed, how the data will be collected, who will be responsible for collecting and reporting the data, when the data will be collected and reported (including how frequently), the costs and sources of financing.
- **Verify feasibility with regional authorities/agencies and local administrations in terms of data availability and indicators' specificities** (frequency, data time series, unit of analysis, etc.). Build capacities among

relevant authorities in data collection and encourage inter-institutional collaboration for data provision.

- **Be aware of the limited time (and often resources) available for data collection.** This is particularly important for projects aiming to achieve social change, empowering people and improving social cohesion. These processes take a long time and final rounds of data collection among the beneficiaries may at best reveal some hints or hope that the desired changes will occur. Often beneficiaries have been exposed to the actual project activities for too short a time to be able to fully reflect on their value and effectiveness.
- **Design monitoring questions that address beneficiaries' experiences.** Data collection (such as surveys or qualitative interviews) should present questions reflective of the timing of the process, be modest in expectations and fine-tuned to the beneficiaries' actual experiences rather than demonstrating over-ambitious ideas of impact. For example, monitoring of LEADER in Austria emphasises the fit of indicators with the strategy rather than their quantity.

Learning from practice

STRATEGIC MONITORING FOR LEADER/CLLD IN AUSTRIA, 2023–2027

The Austrian Rural Network has developed a model for monitoring LEADER/CLLD that balances the need to aggregate results of strategies with the need to chart the contribution of specific strategies to the development paths of different territories. In common with other territorial strategies, LEADER is characterised by considerable flexibility in selecting indicators and goals. Moreover, projects can have multiple effects (e.g. increasing the competitiveness of a company and at the same time showing positive climate effects) and 'added value' effects (such as increased social capital, improved local governance, increased quality of results and innovation) that go beyond specific project results. The starting point in addressing these challenges was an inductive approach, building on existing experience, review of 'good practice indicators' and input from the Evaluation Helpdesk of the European Network of Rural Development (ENRD). Based on this, characteristics of the new impact monitoring method included:

- measuring changes in the four thematic fields covered as specifically as possible in each LAG (specificity);
- being open to different, regional specific development pathways (flexibility);
- making the monitoring process as standardised and applicable to as many LAGs as possible ('aggregability');
- reflecting the 'LEADER added value' (also, besides projects);
- making data available at LAG level and ensuring it could be collected with reasonable effort (manageability).

This produced an overall conceptual framework with two sets of indicators for results under 'LEADER added value' (15 indicators under the headings: social capital, governance and democracy and quality of results and innovation) and 'Thematic results and impacts' (26 indicators under competitive business, cultural and natural resources, public service/social cohesion and climate change). Individual LAGs had the option to select indicators and target values in terms of fit with their individual strategies.

In monitoring impact in these fields of action, three elements are taken into account:

- Number of projects to achieve a specific goal/ Number of beneficiaries of a specific target group ('key indicators').
- What exactly has changed to achieve a specific goal (process innovations, product innovations, marketing and business model innovations, structural innovations, social innovations, innovations with a digitalisation aspect)?
- Who benefits from this change (types of beneficiary, sectors)?

When projects are completed, indicators are filled in by individual LAG managers into a common database. For 'non project' added value aspects that are less tangible, each LAG holds an annual team meeting to assess these issues (participation, innovation, etc.).

For more information

Austrian Rural Network website:
https://enrd.ec.europa.eu/networking/nrn-profiles/austrian-rural-network_en

Drawing on existing monitoring resources at multiple levels

In addressing capacity challenges, monitoring systems in small, rural or remote mountainous or insular areas should draw on existing resources at multiple levels. Monitoring systems for local and territorial strategies can benefit from the supporting role of the EU, of national or regional level systems, coordinating local administrative units to build critical mass and experience of management systems and tools. In several cases, coordination of monitoring systems and support of administrative capacity-building processes at sub-national levels has become an increasingly prominent task for EU, national and regional bodies.

(a) At EU level, there is a range of networks, strategies and resources that can help build capacity to monitor local and territorial strategies. This includes:

- **The European Network for Rural Development (ENRD)** serves as a hub for exchange of information on how rural development policy, programmes, projects and other initiatives are working in practice and how they can be improved to achieve more. Its European evaluation helpdesk for rural development provide insights into various initiatives at the EU and Member State levels concerning data infrastructures and data use. Furthermore, it proposes a quick guide on potential use, showing how these outputs could be used for monitoring and evaluation.[113]
- **The ESPON programme** supports the formulation of territorial development policies in Europe. It produces wide-ranging and systematic data on territorial trends related to various economic, social and environmental aspects. The programme also provides various resources, including a policy brief offering policy advice on how to measure the impact of integrated territorial investments.[114]

113 *https://enrd.ec.europa.eu/evaluation/knowledge-bank_en*

114 *https://www.espon.eu/integrated-indicators*

- **The European Commission's long term vision for EU's rural areas,** launched in 2021, identifies several areas of action towards stronger, connected, resilient and prosperous rural areas by 2040. The Vision also includes flagship initiatives to support data collection and analysis on rural trends as well as the monitoring of policy action in rural areas.
- **The Local Development Network (LDnet)** is an informal network that brings together knowledge and people in local development across rural, coastal and urban areas in Europe and beyond. People wishing to make a contribution to local development can participate in the network. LDnet provides a forum for sharing information and knowledge among experts, researchers and all those active in local development and includes resources on monitoring and evaluation.[115]

Additional resouce

THE EUROPEAN COMMISSION'S LONG TERM VISION FOR EU'S RURAL AREAS (LTVRA)

In June 2021, the European Commission adopted a Commission Communication setting out 'A Long Term Vision for the EU's Rural Areas' in 2040, identifying the challenges and concerns that they are facing, as well as highlighting some of the most promising opportunities that are available to these territories. This includes a range of initiatives that will support the monitoring of territorial or local development strategies in rural areas:

- establishing a **Rural Observatory** to bring together all data collected by the Commission on rural areas, including official statistics;
- making available new detailed data collected in the framework of the 2021 round of population and housing censuses in the EU disseminated via the 2021 Census Statistical Atlas;
- further increasing the availability and quality of official statistics on rural areas by modernising the legal framework for demographic statistics;
- developing pan-European geospatial datasets;
- mainstreaming the degree of urbanisation method for the definition of functional rural areas.

For more information

EC website 'A long-term vision for the EU's rural areas':
https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/long-term-vision-rural-areas_en#documents

(b) National administrations also provide potentially crucial support in developing monitoring systems for local and territorial strategies. This can involve the work of dedicated government departments and agencies, the use of vertical and horizontal coordination platforms, including digital platforms and shared databases.

115 *https://ldnet.eu/tag/evaluation*

Learning from practice

THE STRATEG SYSTEM (POLAND)

In Poland, the STRATEG system created by the Central Statistical Office monitors the implementation of development strategies and public policies, including of the EU cohesion policy. It provides data selection and presentation options to facilitate monitoring and analysis of ITI strategies.

The database contains an extensive set of key measures for monitoring development (mainly with an annual frequency) at the country level as well as at lower levels of the territorial division. The system also acts as a repository of indicators from various strategies. It presents data for non-standard units of territorial divisions, currently providing data for the following functional areas: supra-regional strategies; functional areas related to regional development strategies; and ITI functional areas.

The analysis of information is facilitated by tools for data visualisation in the form of maps and charts, as well as an extensive set of metadata describing indicators. In addition, the system resources include a set of additional information, including links to the most important strategic documents or the statistical toolkit. Data sources come from public statistics and several dozen other sources, including scientific institutions, national and regional centres, institutes and offices, databases of international institutions and organisations.

For more information

STRATEG website: *https://strateg.stat.gov.pl/?lang=en-GB#/strategie/zit*

Learning from practice

MONITORING THE NATIONAL STRATEGY FOR INNER AREAS (ITALY)

In Italy, the National Strategy for Inner Areas (SNAI) aims to contribute to Italy's sustainable development by recovering its marginalised territories and improving their inhabitants' well-being and quality of life. EU funds are combined with national finance to support strategies for both local development and service innovation in 72 pilot territories.

Municipalities and regions are directly responsible for implementing the strategy in strong partnership with different levels of government. This is reflected in the creation at the national level of the **Inner Areas Technical Committee.** Coordinated by the Cohesion Policy Department of Presidency of the Council of Ministries, this body is composed of representatives of the Agency for Territorial Cohesion, various policy ministries (agriculture, health, education, culture, transport and mobility, labour and social policies, etc.), regional administrations, the associations of Italian municipalities and a few other entities.

In terms of monitoring, a list of indicators is produced at the national level to orient the strategic vision and each area adapts these to its own context. The final local strategy must indicate the expected results, which can be measured by indicators. In each strategy, there are a maximum of 15 indicators to ensure that there is a concerted focus on achieving progress. To help monitor progress, a dedicated Inner Areas webpage of the Agency for Territorial Cohesion gives access to sets of indicators per territory referring to the baseline point at which the areas were selected and the situation based on the latest available update. On this page it is

also possible to consult municipal databases that have been used to build some of the indicators relating to the priorities of specific strategies.

For more information

SNAI website: *https://www.agenziacoesione.gov.it/strategia-nazionale-aree-interne/?lang=en*

Agency for Territorial Cohesion webpage dedicated to the Inner Areas initiative: *https://www.agenziacoesione.gov.it/strategia-nazionale-aree-interne/la-selezione-delle-aree*

(c) Regional administrations play a crucial role in building and maintaining monitoring arrangements for local and territorial strategies in some countries. This is particularly the case in countries with federal or decentralised contexts where regional administrations have important policy competences and resources.

CHALLENGE 3: How to embed monitoring in the policy cycle for better knowledge

Monitoring by itself does not improve the performance of local and territorial strategies. To be effective, monitoring must play an integral role in the overall process of local strategy design and delivery.

It is vital for local strategy owners to ensure links between monitoring, evaluation processes, communication arrangements and overall strategy governance so that the information collected is used to improve strategy implementation and future policy making. Clarity and continuity between monitoring and these other elements requires effective working relationships between the implementing authorities and other stakeholders. Monitoring systems will only be effective if the gathered information is used to improve strategy design and delivery. Strategy owners should ensure that the knowledge generated through monitoring is relevant to different stakeholder audiences and that this knowledge is communicated in the most effective way.

Monitoring as a key component in strategy design and delivery

Monitoring and communication. Monitoring reports should provide adequate information on the implementation and performance of the strategy to different target groups: general public, programme bodies, project beneficiaries, etc. Monitoring should take into account the type of information to be communicated, the delivery format and timing.

Monitoring and strategy governance. It is vital to develop effective coordination between all the different actors that are involved. Stakeholders need to discuss how findings will be used and what corrective actions should be taken to address any issues that monitoring reveals. Data analysis and remedial measures should not be seen as threatening. They are an essential and constructive way of enhancing policy implementation and design.

Be careful!

Monitoring and evaluation. Monitoring systems act as early-warning mechanisms signalling critical aspects in strategy implementation, which call for deeper assessment and understanding through evaluation exercises.

- *Systemic information about policy delivery* (output indicators): together with additional information regarding the policy implementation experience (e.g. preparation of calls, management of applications, project evaluation process, etc.), this is the basis for performing process evaluations.
- *Information on policy results* (result indicators) derived from the monitoring system helps define impact evaluations. Evaluation findings can help improve the monitoring system by providing information on the quality and consistency of the articulation of the logic of intervention and the chosen indicators (Gianelle, Guzzo, Marinelli, 2019).

Producing relevant knowledge for different needs

An important challenge for territorial strategies is to take into account different types of knowledge that monitoring has to produce and the different types of follow-up actions this knowledge can prompt. This includes[116]:

- **Project-specific knowledge to prompt remedial actions.** Monitoring is important for keeping projects on track and solving particular implementation problems. Strategy owners and programme managing authorities need to know if projects are being implemented smoothly or experiencing problems in order to provide tailored support to beneficiaries.
- **Operational knowledge to prompt administrative actions.** Features of CLLD or ITI strategy implementation are likely to be set by higher level authorities but it is important to monitor how they are administered (e.g. in terms of developing the strategy, generating and selecting projects). Knowledge of the time and human resources involved at different implementation stages can inform revisions to improve administrative efficiency.
- **Strategic knowledge to prompt policy actions.** Monitoring should create knowledge on the extent to which territorial or local development strategies are following their intervention logic and achieving their objectives, including in the light of contextual changes or gained experience. This knowledge can inform decisions on whether to focus more on specific themes, reallocate resources or more broadly take a new approach to supporting such strategies in the future.

116 For more information, see EC, 2018

Learning from practice

MONITORING FOR POLICY DEVELOPMENT IN THE HIGHLAND LOCAL ACTION GROUP (SCOTLAND, UK)

The Highland LAG in Scotland has ensured indicators are well-defined and strategic in order to produce data that can inform policy development. It prepared a definition of all its indicators as well as examples of the type of evidence that might be collected in order to ensure that the right data and relevant evidence was generated to inform policy decisions (see following Table for example).

Results indicator	Definition	Evidence
No. of community facilities improved	No. of existing community facilities improved (e.g. libraries, sports halls) that have been improved as a result of LEADER funding (physical, accessibility, opening hours, resources/equipment, etc., range of users)	Plans/planning documents, photos, publicity material, survey results
Annual change in thenumber of visits to facilities/attractions	Footfall. Applicants will need to establish a baseline at the point of application and be able to set out how the project will work to increase visitor numbers over a prescribed period of time. The indicator should be able to measure the success (or otherwise) of the intervention	Survey results/records of attendance/use, website visit data
No. of volunteers feeling better supported to undertake volunteering opportunities	People reporting that they feel better supported to undertake volunteering opportunities, following LEADER funded intervention	Volunteer survey, focus groups

Monitoring data fed into the 2007–13 evaluation of the LAG and informed changes in the strategic orientation and implementation for the 2014–2020 period. For instance, for the Fisheries LAG (FLAG) sub-group, changes improving delivery of fisheries CLLD included:

- increased outreach to fishing and aquaculture stakeholders that were felt to be under-represented;
- increased support to help project promoters secure match funding by working more closely with potential match funders;
- receiving project applications on a rolling basis to ensure maximum flexibility to candidates;
- a minimum grant award (£1000) to avoid spending time (both applicants and FLAG staff) administering micro-projects;
- streamlined application process by making the previously compulsory 'post-offer meeting' between FLAG and project promoter optional.

For more information

FARNET, Evaluating CLLD – Handbook for LAGs and FLAGs, 2018. Available at: *https://enrd.ec.europa.eu/news-events/news/evaluating-clld-handbook-lags-and-flags_en*

Be careful!

It is important to be realistic about the role of monitoring. Even though indicators are valuable for monitoring policy progress, they cannot provide an answer on the impact of the policy. Outcome indicators are in fact influenced by external factors that are only indirectly related to a policy. A better understanding of the impact of public action can come through specific evaluation exercises.

Producing 'user friendly' outputs

Monitoring should recognise the importance of 'user-friendly' and accessible methods and outputs to communication results and enhance transparency. These should be well defined in terms of data generation and functions for monitoring and evaluation; tailored to capture a range of qualitative and quantitative knowledge; focusing on the final utilisation of data and taking into account the range of potential audiences. It is important to coordinate carefully the data flow among different governance levels, keeping in mind which kind of data needs to be aggregated and compared at the programme level and which data can be more useful at the strategy level. These outputs should inform the reshaping and design of territorial strategies for the future.

Be careful!

The dissemination of monitoring results should be tailored to different audiences.

- Regular monitoring reports provide an update on the strategy's progress, feeding data into monitoring and evaluation processes at strategy and programme level.
- Oral presentations are another means of disseminating monitoring results. These are potentially valuable in advertising the achievements of strategies at higher levels and, in particular, of strengthening ties with local communities through direct meetings.
- Use of different media can be also considered. Other methods of dissemination can be used to ensure knowledge generated through monitoring is accessible to wider audiences, particularly at the local level: press releases in local media, websites, online forums, blogs, tweets, discussions (online and live).

While these formats differ in length, detail and the amount of technical information, some common elements are:

- logical organisation and structure;
- direct and concise language; and
- use of appropriate illustrations and examples.

Learning from practice

PROMIS SYSTEM FOR MONITORING AND EVALUATION IN DANISH CLLD STRATEGIES (DENMARK)

In Denmark, the managing authority decided to help the 26 LAGs and 10 Fishery (F)LAGs in monitoring and evaluation processes by developing an IT tool specifically tailored to the bottom-up methodology of CLLD. All (F)LAGs have to develop project selection criteria, carry out a transparent selection process, gather and report information on outputs and results of projects implemented by beneficiaries as part of their ordinary duties. The tool Project Result-Oriented Management and Information System (PROMIS) aims to facilitate the work of all CLLD actors throughout the whole process. The system is based on a single application form for all (F)LAG interventions, but depending on the options selected by applicants,

only relevant questions have to be answered. Predefined indicators of outputs, results and impacts are included, but applicants can also add other indicators relevant to their projects.

The main functions are: (1) data collection; (2) support for project selection; (3) transfer of selection results among stakeholders; (4) guidance for beneficiaries on reporting project results; (5) assessment of LEADER/CLLD effects at the Rural Development Programme and LAG levels; and (6) reporting monitoring and evaluation results. PROMIS is equipped with several analytic and visualisation tools (e.g. double-entry graphs, charts and maps). PROMIS provides a rapid and user-friendly solution to communicating the results of monitoring and evaluation: elaborating, displaying and interpreting large amounts of data for different audiences.

Key messages

- Be focused on the final utilisation of the data collected.
- Coordinate carefully the data flow among different governance levels.
- Create a multiple choice list in the project application form to explicitly link the contributions of each project to the most appropriate strategy objectives and focus areas.
- Integrate the needs and perspectives of multiple stakeholders when developing and implementing data collection and communication systems.

For more information

ENRD factsheet of the European evaluation help-desk for rural development:
https://enrd.ec.europa.eu/sites/default/files/evaluation_publications/fs-009-dk-promis.pdf

CHALLENGE 4: How to mobilise relevant actors (including citizens) in monitoring activities

Engaging relevant stakeholders and citizens strengthens the quality of monitoring systems of local strategies. It has the potential to create a substantial amount of localised data 'on the ground'. It also promotes a dialogue between citizens, other stakeholders and policymakers, which may prove very beneficial for monitoring due to new ideas, suggestions, insights, etc. Finally, it raises awareness of the benefits of these territorial instruments in the local population, strengthens transparency, accountability and ownership.

However, **mobilising and engaging citizens and communities is challenging.** Monitoring is often seen as a technical task, run by public officials and experts. Even if stakeholders participate in the initial design phase, it can be difficult to keep them engaged in future monitoring activities. Once objectives and indicators have been established, there is a risk that actors lose interest and mutual learning processes decline (Marinelli, Guzzo and Gianelle, 2019).

There are **capacity issues** that can be exacerbated by monitoring systems that are either o**verly complex and unworkable** in practice, or **too simplistic,**

delivering the wrong information. Stakeholders may be willing to participate but are unable to do so because they don't have the required skills and capabilities. Some may be able but unwilling to participate due to low trust and concern about how the authorities would use their contributions.

Participatory monitoring is based on the premise that there is consensus on strategic priorities between different stakeholders and that their goals are mutually compatible. This is not always the case. All of these challenges can be particularly apparent in encouraging participation from vulnerable or difficult to reach communities and individuals who may lack the resources or capacities to actively engage (e.g. women and young people) (European Union, 2022). In addressing these challenges strategy owners should take into account these key principles.

Involving communities in monitoring at different stages

All relevant stakeholders should be involved early enough in the design of monitoring systems to prevent the dominance of a single group or perspective, and to ensure that their contributions to the monitoring process are meaningful.

Stakeholders should participate **in establishing objectives, indicators, targets** and **corrective actions,** as well as in **gathering and sharing information.** This gives different actors an opportunity to take part in the decision of what constitutes success, how to measure it and what indicators should be used to assess it.

Learning from practice

THE DUHALLOW LEADER/CLLD STRATEGY (IRELAND)

Duhallow has developed an interesting system for improving the links between the broad goals of their local development strategy for the period 2007–2013 and the actual projects undertaken in a way that ensures community ownership and improved targeting and monitoring.

In essence, the broad goals of the strategy were developed after a long process of consultation with the community around four main fields: improving the quality of life, fostering creativity, economic growth and a living environment.

An assessment of the social, economic and environmental resources was carried out using the Asset Based Community Development approach (UN-HABITAT, 2008). This then set the strategic framework, which can be adapted for particular bids. These broad goals were then divided into smaller, measurable objectives that were animated and monitored by community-based local working groups. For example, the Youth and Education Working Group has 20 members consisting of local schools, youth organisations, policy makers and young people themselves. The working group meets eight or nine times a year, where it analyses achievements and sets out the steps for improvement. Their actions are subject to the approval of the LAG board.

For more information

ENRD fact sheet: *https://enrd.ec.europa.eu/sites/default/files/assets/pdf/leader-tool-kit/infosheet/04_infosheet.pdf*

ENRD proposal for a composite indicator for local development: *https://enrd.ec.europa.eu/evaluation/knowledge-bank/proposal-composite-indicator-local-development_en*

UN-HABITAT, An Asset-based Approach to Community Development and Capacity Building, United Nations Human Settlements Programme (UN-HABITAT), 2008. Available at: *https://unhabitat.org/asset-based-approach-to-community-development-and-capacity-building*

Capacity building for participatory monitoring

Mobilisation of stakeholders requires careful planning as it depends on the **commitment of significant resources** from practitioners, stakeholders and beneficiaries. This applies in particular to those stakeholders that have limited experience of engaging in these processes and whose involvement will need to be actively promoted by public authorities.

In this respect, **the monitoring strategy** could include **an explicit component** to help civil society groups and other stakeholders **build the capacity needed to analyse, reflect** and **take action.** It could be important to provide them with training sessions on monitoring, reporting and communication skills. This is particularly appropriate in contexts where lack of analytical capacities prevents groups of actors from engaging in monitoring activities. Capacity building should also be devoted to technical staff of public administrations involved in monitoring and evaluation.

Learning from practice

RURITAGE – RURAL REGENERATION THROUGH SYSTEMIC HERITAGE-LED STRATEGIES (2018-2022)

The EU H2020 RURITAGE project focuses on heritage-led rural regeneration through the enhancement of cultural and natural heritage.

RURITAGE analysed and learned from 20 case studies that were considered to be role models of successful heritage-led rural regeneration in Europe.

Among many innovative tools developed by the project, My Cult-Rural Toolkit has been designed and developed to build capacity within communities in assessing local cultural, natural and heritage landscape values. The toolkit includes various methods allowing expert and non-expert engagement with the landscape valuation process through embodied and situated approaches. All the co-monitoring tools share the principle of gathering data through real-time interaction in the place of interest, following principles of the embodied approach to ecosystems' valuation. The toolkit employs:

- **Participatory 'hands-on' workshops** (Mini-Landscapes, Object Mapping and Walking Maps) for in-depth understanding of values attached with landscape. These tools comprise guidelines and materials for planning and running hands-on workshops with small groups of local participants.
- **Digital mobile apps** (Rate my View App and Landscape Connect App) that are free to download and allow text and images to be collected and geo-references using smartphones or tablets, to support exploratory, participatory mapping as part of the monitoring process.

For more information

RURITAGE My Cult-Rural Toolkit: *https://ruritage-ecosystem.eu/culttool*

The key messages related to participatory monitoring capacity can be summarised as follows.

- **Stakeholders should be regularly informed about findings of the monitoring process and how their feedback is being used in strategy implementation.** This helps to maintain interest and involvement and limit 'stakeholder

engagement fatigue'. Data collection and analysis is essential, but it is equally important to demonstrate the use of this data in decision-making.

- **Broader communication strategies are important in developing capacities and ensuring participation in monitoring.** All collected data on indicators, including monitoring reports, should be made public and open to all in an easily understandable and accessible format. Periodic information sessions and public disclosure of policy information help to raise awareness.
- **Innovation and technology can act as enablers in addressing capacity challenges for participatory monitoring.** There is growing interest in the potential processing and networking capabilities of ICT to open up new methods for monitoring that incorporate participatory elements. New ways for policymakers to connect with stakeholders to improve territorial development interventions are being explored, encouraging citizens to play an active role in the definition of indicators for their area as well as participating in the collection and analysis of data.

Learning from practice

SIMRA – SOCIAL INNOVATION IN MARGINALISED RURAL AREAS (2016-2020)

Social Innovation in Marginalised Rural Areas (SIMRA) is a project funded by the European Union's Horizon 2020 research and innovation programme.

SIMRA seeks to advance understanding of social innovation and innovative governance in agriculture, forestry and rural development, as well as of how to boost these – particularly in marginalised rural areas across Europe (with a focus on the Mediterranean region).

The project has developed a manual for assessment of social innovation that supports co-construction in the process of development, testing and validation. The data collection tools are both structured and semi-structured; data collection approaches include observation, surveys and interviews, focus groups, diaries, journals and self-reported checklists. This supports the inclusion of emerging issues in the monitoring and evaluation process and there is a possibility to apply them in self-evaluation processes for ITI and CLLD strategies).

For more information

SIMRA website: *http://www.simra-h2020.eu*

ENRD website: *https://enrd.ec.europa.eu/evaluation/knowledge-bank/database-social-innovations-marginalised-rural-areas_en*

- **The moment of reporting is an excellent opportunity to engage citizens, organisations and companies in territorial and local development strategies.** The progress on the strategic goals can be shown using PowerPoint or other visualisations during regular stakeholder meetings. It can then be determined what can be done better and what contributions citizens, organisations and companies can make and also raise awareness of successes.

RECOMMENDATIONS

- Design and implement a monitoring system with appropriate indicators and a strong intervention logic.
  - Indicators should relate directly to the objectives of the local or territorial development strategy, territorial coverage and scope of the strategy.
  - Start by developing a complete and clear logic of intervention linked to indicators that make it more meaningful. Poor indicators that are not policy responsive are often the result of a vague or incomplete logic of intervention.
  - Hard output indicators should be complemented with softer qualitative indicators. Indicators should be adapted to address long-term processes as well as short-term results. This approach helps engage local communities to understand the real achievements on the ground, particularly those that are less tangible and not measurable in numerical terms. Input indicators that capture workload input, time and resources committed to strategy design and delivery are also important.
  - Local and territorial strategies should draw on existing monitoring resources at multiple levels. EU, national and sub-national administrations have monitoring systems and data sources that can be adapted to support monitoring of local and territorial strategies.
  - Develop monitoring systems that could remain stable over time for the implementation of territorial development instruments.
- Develop an efficient system for data collection and analysis.
  - There is a need for proportionality and flexibility. It is clear that 'one size fits all' solutions in setting up monitoring systems cannot be pursued. The huge variation in size in terms of population covered, thematic focus, budget, geographic scale and implementation approach, means that approaches to assessment must be tailored to specific circumstances.
  - Select a short list of indicators that reflect the impact of the integrated investments on an aggregate level. Use a limited number of key indicators with realistic possibilities of obtaining up-dated data.
  - Reflect on data-collection needs and capacity while defining the monitoring system. Identifying good indicators does not guarantee that they can be populated with adequate data. Those in charge of the process need to reflect on whether they and relevant stakeholders have the tools, resources and competences to collect and process suitable data at an appropriate time. Plan appropriate training and capacity building activities if needed.
- Embed monitoring in the policy cycle.
  - Monitoring should be planned from the outset as an iterative process, designed and managed so that monitoring results can feed into the decision-making process.
  - Integrate the needs and perspectives of multiple audiences when developing and implementing data collection and communication systems. Monitoring must produce simple information that is communicable and easily understood by both the provider and the user of the information.

- Communicate the results of monitoring and evaluation at the right time so that learning and recommendation can also feed into new policy cycles.

- Mobilise relevant stakeholders (including citizens) in monitoring activities.
  - Co-create monitoring systems between strategy owners, local communities and citizens. Participatory monitoring should aim to share control over the content, the process and the results of monitoring activity and engage local communities in taking or identifying corrective actions.
  - Capacity-building actions and instruments (such as training, toolkits, peer to peer exchanges, focus groups) should be considered to facilitate engagement of target stakeholders and beneficiaries in monitoring. Innovative techniques and technologies to facilitate participatory monitoring should also be considered (e.g. use of social media, mobile phones).
  - Plan monitoring and evaluation milestones (e.g. annual reporting events, mid-term reviews) as opportunities to engage stakeholders in monitoring and modification of strategies.

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List of abbreviations

BBSR	German Federal Institute for Research on Building, Urban Affairs and Spatial Development
CAP	Common Agriculture Policy
CEMAT	Council of Europe Conference of Ministers Responsible for Spatial Planning
CEMR	Council of European Municipalities and Regions
CF	Cohesion Fund
CLAR	Clean Alpine Region
CLLD	Community-Led Local Development
CoE	Council of Europe
CoR	European Committee of the Regions
CPR	Common Provision Regulation
CUP	Comité Unique de Programmation
CWD	Centrum Wsparcia Doradczego
DEGURBA	Degree of Urbanisation
DG	European Commission Directorates General
DG AGRI	Directorate-General for Agriculture and Rural Development
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG MARE	Directorate-General for Maritime Affairs and Fisheries
DG MOVE	Directorate-General for Mobility and Transport
DG REGIO	Directorate-General for Regional and Urban Policy
EAFRD	European Agriculture Fund for Rural Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EGTC	European Grouping of Territorial Cooperation
EIB	European Investment Bank
EIF	European Investment Fund
EIP-AGRI	European Innovation Partnership for Agricultural Productivity and Sustainability
EIPA	European Institute for Public Administration
EIT	European Institute of Innovation & Technology
ELARD	European LEADER Association for Rural Development
EMFAF	European Maritime, Fisheries and Aquaculture Fund
EMFF	European Maritime and Fisheries Fund
ENoLL	European Network of Living Labs
ENRD	European Network for Rural Development
EPRC	European Policies Research Centre
ERDF	European Regional Development Fund
ESCOs	Energy Service Companies
ESF	European Social Fund
ESF+	European Social Fund Plus
ESIF	European Structural and Investment Funds

ETC	European Territorial Cooperation
EU	European Union
EUSAIR	European Union Strategy for the Adriatic and Ionian Region
EUSALP	European Union Strategy for the Alpine Region
EUSBSR	European Union Strategy for the Baltic Sea Region
EUSDR	European Union Strategy for the Danube Region
FAMENET	Fisheries and Aquaculture Monitoring, Evaluation and Local Support Network
FARNET	European Fisheries Areas Network
FLAG	Fisheries Local Action Group
FRA	Functional Rural Area
GNI	Gross National Income
H2020	Horizon 2020 Framework Programme
IB	Intermediate Body
IoT	Internet of Things
ITI	Integrated Territorial Investment
JRC	Joint Research Centre of the European Commission
JTF	Just Transition Fund
LAG	Local Action Group
LAU	Local Administrative Unit
LDnet	Local Development Network
LDS	Local Development Strategy
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale [Links between activities for the development of rural economy]
LMA	Labour Market Area
LTVRA	Long-Term Vision for the EU's Rural Areas
LUR	Ljubljana Urban Region
NESOI	New Energy Solutions Optimised for Islands
NRN	National Rural Network
ODR	Observatoire du Developpement Rural
OECD	Organization for Economic Cooperation and Development
OIB	Office for Intermediate Body
OP	Operational Programme
OPSI	Observatory of Public Sector Innovation
PO	Policy Objective
POI	Interregional Operational Programmes
PROMIS	Project Result-Oriented Management and Information System
R&D	Research and development
R&I	Research and Innovation

RDP	Rural Development Programme
RFF	Recovery and Resilience Facility
RMA	Regional Management Agency
ROP	Regional Operational Programme
RRA LUR	Regional Development Agency of the Ljubljana Urban Region
SALK	Strategisch Actieplan voor Limburg in het Kwadraat
SCOs	Simplified Cost Options
SDGs	Sustainable Development Goals of the UN
SFPI	Belgian Federal Holding and Investment Company
SME	Small and Medium sized Enterprise
SNAI	Italian National Strategy for Inner Areas
SPL	Structural Programme Loans
SPV	Special Purpose Vehicle
SUD	Sustainable Urban Development
S3P	Smart Specialisation Platform of the European Commission
TA	Technical Assistance
TA2030	Territorial Agenda 2030
TFEU	Treaty on the Functioning of the European Union
TG	Thematic Group
TO	Thematic Objective
UN	United Nations
UNDP	United Nations Development Program
VLR	Voluntary Local Review
VVSG	Association of Flemish Cities and Municipalities
ZEZ	Zelena Energetska Zadruga
ZOAST	Zones Organisées d'Accès aux Soins Transfrontaliers

Glossary

Cohesion Fund (CF)

The Cohesion Fund supports Member States whose Gross National Income (GNI) per inhabitant is less than 90 % of the EU average. The fund contributes to financing environmental measures and trans-European transport networks – particularly high-priority projects of European interest – in the 13 Member States that have joined the EU since 2004, as well as in Greece and Portugal.

Cohesion policy

Cohesion policy is the European Union's strategy to promote and support the 'overall harmonious development' of its Member States and regions, and to strengthen economic and social cohesion by reducing disparities at the development level between regions.

Funds allocated to the EU cohesion policy for the 2021–2027 programming period amount to EUR 392 billion. With national co-financing, about half a trillion euro will be available to finance programmes in the EU Member States and regions.

Cohesion policy is delivered through specific funds:

- The European Regional Development Fund (ERDF), to invest in the social and economic development of all EU regions and cities.
- The Cohesion Fund (CF), to invest in environment and transport in the less prosperous EU countries.
- The European Social Fund Plus (ESF+), to support jobs and create a fair and socially inclusive society in EU countries.
- The Just Transition Fund (JTF) to support the regions most affected by the transition towards climate neutrality.

Funds from the ERDF and ESF+ are allocated in three categories of regions (less developed, more developed, in transition); some countries benefit from the Cohesion Fund, some regions with specific needs receive dedicated funding (outermost regions and sparsely populated areas), and all countries benefit from the Just Transition Fund.

Community-Led Local Development (CLLD)

CLLD is a territorial tool and a Territorial Delivery Mechanism (TDM) specifically conceived to deliver local development strategies that:

- focuses on specific sub-regional areas;
- is community-led by local action groups (LAGs) composed of representatives of local public and private socio-economic interests;
- is carried out through integrated and multi-sectoral area-based local development strategies that take into consideration local needs and potential;
- includes innovative features in the local context, networking and, where appropriate, co-operation.

CLLD was introduced in cohesion policy in the 2014–2020 programming period enlarging the scope of the LEADER method and allowing for connected and integrated use of all EU funds except for the Cohesion Fund.

Degree of urbanisation (DEGURBA)

The degree of urbanisation (DEGURBA) classifies the EU territory along three categories based on population density: cities (densely populated areas); towns and suburbs (intermediate density areas); and rural areas (thinly populated areas).

European Agricultural Fund for Rural Development (EAFRD)

The EAFRD is the funding instrument of the second pillar of the EU Common Agricultural Policy (CAP). It finances the EU's contribution to rural development programmes for improving the competitiveness of agriculture, encouraging sustainable management of natural resources and climate action, and achieving a balanced territorial development of rural economies and communities.

European Maritime, Fisheries and Aquaculture Fund (EMFAF)

The EMFAF is the fund that supports EU's maritime and fisheries policies for the 2021–2027 period. Among other objectives, it helps coastal communities to diversify their economies, improving quality of life along European coasts. The EMFAF was preceded by the European Maritime and Fisheries Fund (EMFF).

European Regional Development Fund (ERDF)

The ERDF provides financial support for the development and structural adjustment of regional economies, economic transformation, enhanced competitiveness as well as territorial cooperation throughout the EU. In 2021–2027, it will enable investments in a smarter, greener, more connected and more social Europe that is closer to its citizens.

European Social Fund Plus (ESF+)

The ESF+ is the EU's main instrument for investing in people and supporting the implementation of the European Pillar of Social Rights in the period 2021–2027. It supports the EU's employment, social, education and skills policies, including structural reforms in these areas. The ESF+ was preceded by the European Social Fund (ESF).

European Structural and Investment Funds (ESIF) 2014–2020

For the 2014–2020 programming period, the ESIF included five different funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

European Territorial Cooperation (ETC)

ETC is the instrument of cohesion policy that promotes cooperation between regions and countries to help their economic and social development, tackle the obstacle of borders and jointly develop the potential of diverse territories. Cooperation actions are supported by the European Regional Development Fund (ERDF) through cross-border cooperation, transnational cooperation, interregional cooperation and outermost regions' cooperation. It covers all EU Member States, plus Norway and Switzerland.

Eurostat

Eurostat is the statistical office of the European Union whose mission is to provide high quality statistics and data on Europe.

Financial Instrument (FI)

Financial instruments such as loans, guarantees and equity help to trigger investments on the ground for revenue-generating and cost-saving activities while maximising private investment with minimum public support. Financial instruments represent a more efficient and sustainable alternative to complement traditional grant-based support.

Integrated Territorial Investment (ITI)

ITI is a territorial tool and a Territorial Delivery Mechanism (TDM) that was introduced in the 2014–2020 programming period to programme territorial strategies in an integrated way. ITI allows for drawing funding from several priority axes of one or more operational programmes to ensure the implementation of an integrated strategy for a specific territory. The key elements of an ITI are: a designated territory and an integrated territorial development strategy; a package of actions to be implemented; and governance arrangements to manage the ITI. ITI strategies can be set up using different EU funds.

Intermediate Body (IB)

Any public or private body that acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority, in relation to beneficiaries implementing operations.

Labour Market Area (LMA)

A functional geographic area or region beyond the administrative boundaries defined for the purposes of compiling, reporting and evaluating employment, unemployment, workforce availability and related topics.

LEADER

LEADER (from French 'Liaison Entre Actions de Développement de l'Économie Rurale', i.e. 'Links between the rural economy and development actions') is a local development method which has been used since 1991 to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas. Since the 2014–2020 programming period, the LEADER method has been extended to cover not only rural but also coastal and urban areas under the general designation Community-Led Local Development (CLLD).

Local Action Group (LAG)

A local action group is a legal form of public-private partnership at local level that operates through the drafting of a Local Development Strategy (LDS) under CLLD. LAG membership is normally open to individuals and representatives of organisations and businesses living and / or working within the LAG boundaries. Both private individuals and local public/private organisations can become members. Member states define the respective roles of the LAGs and the authorities responsible for the implementation tasks relating to the LDS.

Local Administrative Unit (LAU)

Local administrative units are statistical units used to divide up the territory of the EU for the purpose of providing statistics at a local level. They are low level administrative divisions of a country below that of a province, region or state. Not all countries classify their locally governed areas in the same way and LAUs may refer to a range of different administrative units, including municipalities, communes, parishes or wards.

Managing Authority (MA)

Under EU cohesion policy, a managing authority is responsible for the efficient management and implementation of an operational programme. A managing authority may be a national ministry, a regional authority, a local council, or another public or private body that has been nominated and approved by a member state. Managing authorities are expected to conduct their work in line with the principles of sound financial management.

Multi-level governance

Multi-level governance refers to the vertical and horizontal dispersion of authority away from central government authority. The concept emphasises the interactions between different levels of government (supranational, national, regional and local) along with the relations between different types of actors (public, private and citizens) taking place at different spatial scales.

Operational Programme (OP)

Operational programmes are detailed plans in which the Member States set out how financial resources made available by the EU cohesion policy will be spent during the programming period. They can be drawn up for a specific region, i.e. Regional Operational Programmes (ROPs), or a country-wide thematic goal (e.g. environment), i.e. National Operational Programmes (NOPs). Member States submit their operational programmes on the basis of their partnership agreements.

Partnership Agreement (PA)

Partnership agreements are negotiated and signed between the European Commission and EU member states. They are reference documents for programming interventions under the ERDF, the ESF+, the Cohesion Fund, the JTF and the EMFAF. PAs outline each country's goals and investment priorities and present a list of national and regional operational programmes that they are seeking to implement, as well as an indicative annual financial allocation for each programme.

Place-based approach

Endorsed by the Barca report (2009) as a fundamental principle of EU cohesion policy, a place-based approach aims at harnessing the development potential and reducing inequalities in specific places through the production of integrated public goods and services tailored to contexts. First, a place-based approach assumes that the social, cultural and institutional characteristics of territories really matters. Second, it considers underdevelopment traps as the results of a failure of local elites to act. These traps can only be addressed by new knowledge and ideas deriving from the interaction of local groups and external actors involved in the policy process, to be promoted by a system of multi-level governance.

Policy Objectives (POs)

The cohesion policy has set a menu of five Policy Objectives (POs) supporting growth for the period 2021–2027 and defining main investment priorities:

1. A more competitive and smarter Europe.
2. A greener, low-carbon transitioning towards a net zero carbon economy.
3. A more connected Europe by enhancing mobility.
4. A more social and inclusive Europe.
5. Europe closer to citizens by fostering the sustainable and integrated development of all types of territories.

Smart Villages

The concept of smart villages is used in the EU policy context to refer to communities in rural areas that use innovative solutions, in particular those offered by digital technologies, to improve their resilience smart villages rely on a participatory approach to develop and implement their strategy, building on local strengths and opportunities.

Technical Assistance (TA)

Technical assistance is available to help stakeholders implement Commission-funded programmes and projects. Under the EU cohesion policy such financial support is available for carrying out functions such as preparation, training, management, monitoring, evaluation, visibility and communication.

Territorial Delivery Mechanism (TDM)

In the 2021–2027 programming period, the available options for TDMs are: integrated territorial investment (ITI), community-led local development (CLLD), other type of territorial tools. They can be undertaken under policy objectives other than policy objective 5 (PO5).

Thematic Objectives (TOs)

For the 2014–2020 programming period, the EU cohesion policy has set **11 thematic objectives** supporting growth:

1. Strengthening research, technological development and innovation.
2. Enhancing access to, use and quality of information and communication technologies (ICT).
3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs).
4. Supporting the shift towards a low-carbon economy in all sectors.
5. Promoting climate change adaptation, risk prevention and management.
6. Preserving and protecting the environment and promoting resource efficiency.
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures.
8. Promoting sustainable and quality employment and supporting labour mobility.
9. Promoting social inclusion, combating poverty and any discrimination.
10. Investing in education, training and vocational training for skills and lifelong learning.
11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

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