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WORKING PAPER

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NOTE

From:	Commission
To:	Working Party on Structural Measures
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Subject:	Common Provisions Regulation and ERDF/CF Regulation 2021-2027: Fiche 8 "Integrated territorial development in 2021-2027 period (Chapter II CPR proposal and Chapter II of ERDF and CF proposal)"

In view of the Working Party on Structural Measures on 12 October 2018, delegations will find attached fiche number 8 "Integrated territorial development in 2021-2027 period (Chapter II CPR proposal and Chapter II of ERDF and CF proposal)".

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12 October 2018

WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Integrated territorial development in 2021-2027 period (Chapter II CPR proposal¹ and Chapter II of ERDF and CF proposal²)

1. Introduction

The purpose of this fiche is to explain the approach and policy considerations behind the provisions on territorial development in the CPR proposal and the ERDF and CF proposal. The fiche also clarifies practical implications of these provisions for programming. The corresponding provisions in the CPR proposal apply to the ERDF, the ESF+, the Cohesion Fund and the EMFF with the exception of Articles 25-28 CPR proposal on Community-led local development CLLD which do not apply to the Cohesion Fund. Based on Article 2 (2) of the CAP proposal³, Chapter II of Title III of the CPR proposal is also applicable to the EAFRD.

2. Background and approach to integrated territorial development

In 2014-2020, around EUR 31 billion or 9 % of the cohesion policy budget is allocated to integrated territorial development and sustainable urban development, using territorial instruments (Integrated territorial Investments (ITI) and CLLD) or other delivery mechanisms such as multi-thematic priority axes to support more than 1000 integrated urban and territorial strategies across Europe.

Building on lessons learned and gaps identified with the various territorial elements and tools available in the 2014-2020 period, and also to further underline its distinctive territorial dimension, the CPR proposal introduces for the first time a dedicated policy objective "A Europe closer to citizen by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives" (PO5; Article 4(1)(e) CPR proposal). This new cross-cutting policy objective, together with the streamlined territorial instruments, would provide a simpler and more flexible framework for implementing territorial strategies.

The CPR proposal provides for minimum requirements for territorial strategies (except for CLLD) to further strengthen the link between territorial and sectoral planning, programming and implementation and to further enhance cooperation among territories and stakeholders involved. Clarity is provided on

¹ Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. COM (2018) 375 final adopted by the Commission on 29 May 2018.

² Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund. COM/2018/372, adopted by the Commission on 29 May 2018.

³ establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council, COM(2018) 392 final, adopted by the Commission on 1 June 2018

the content of the strategies and the responsibilities of territorial bodies. This follows one of the key recommendations of the High Level Group (HLG) on Simplification⁴.

The proposal also respects the legacy of ITIs and CLLD, while simplifying territorial tools - thus following key recommendations from the Simplification Study⁵ and the Study on territorial and urban strategies⁶. The Regulations also recognise for the first time the use of national territorial tools developed by Member States to increase flexibility and speed in programming and implementation.

3. Use of PO5 and corresponding ERDF specific objectives; use of PO4 for support from ESF+

Under PO5, two ERDF specific objectives would be available.

The specific objective under Article 2(1)(e)(i) ERDF and CF proposal promotes integrated development *in urban areas*, which could have a range of different territorial foci from urban neighbourhoods, cities, or functional urban areas addressing urban-rural linkages.

The specific objective under Article 2(1)(e)(ii) ERDF and CF proposal promotes integrated development *for rural and coastal areas* which could focus on any other territories, including geographic specificities.

Within the framework of a territorial strategy, activities may be supported under PO5 which could have received support in a sectoral approach under any of the specific objectives under PO 1-4. This enables addressing interlinked development needs through a policy mix customised to targeted territories⁷.

Allocations programmed under PO5 for integrated territorial tools cannot be taken into account for the purposes of fulfilling the thematic concentration requirements for PO1 and PO2 as set out in Article 3 ERDF and CF proposal.

The ESF+ will also be able to support integrated territorial development and make use of the tools set out in Article 22 of the CPR proposal (see below). For the ESF+, these tools will be programmed under PO4 "A more social Europe- Implementing the European Pillar of Social Rights" as all ESF+ specific objectives are established under PO4. However, the ESF+ will also contribute to the achievement of the other policy objectives established by Article 4 of the CPR proposal. This is also set out in Article 4(2) of the ESF+ proposal which provides that the ESF+ shall contribute to other policy objectives through its specific objectives.

The ESF+ can therefore also contribute to the achievement of PO5. Territorial development tools such as CLLD are considered as important instruments for the delivery of the specific objectives supported by the ESF+. For instance, Article 13 of the ESF+ proposal refers explicitly to the support for strengthening bottom-up approaches based on partnerships involving public authorities, the private sector, and civil society such as the Local Action Groups designing and implementing community-led local development strategies.

⁴ Final conclusions and recommendations of the High Level Group on Simplification for post 2020; http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals.pdf

⁵ Use of new provisions on simplification during the early implementation phase of ESIF, http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/use-of-new-provisions-on-simplification-during-the-early-implementation-phase-of-esif

⁶ Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020?, http://ec.europa.eu/regional_policy/en/newsroom/news/2017/12/21-12-2017-study-integrated-territorial-and-urban-strategies-how-are-esif-adding-value-in-2014-2020

⁷ Annex I to the CPR proposal on dimension and codes for the types of intervention (table 1 footnote 1) states that for PO 5 all dimensions codes under POs 1 to 4 may be chosen in addition to those listed under PO 5. Furthermore, Annex I to the ERDF and CF regulation proposal on indicators states that under PO5 specific objectives from POs 1 to 4 may be used with the relevant indicators.

4. Integrated territorial development (Article 22 CPR proposal)

Support from the Funds should be provided for the purposes of integrated territorial development. This may take any of the following forms (including their combination): ITI, CLLD or another tool supporting initiatives designed by the Member States for investment programmed for the ERDF under PO5. While ITIs and CLLDs may be programmed under any of the policy objectives, other Member State tools receiving ERDF support should be programmed under PO5 in order to be considered as providing support for integrated territorial development within the meaning of Article 22 of the CPR proposal.

5. Minimum requirements for ITI and for other territorial tools designed by Member States (Article 23 CPR proposal)

Support for integrated territorial development needs to be undertaken based on the relevant strategies. For CLLD, the requirements and arrangements in this regard are set out in Article 26 of the CPR proposal, while for ITIs and other territorial tools, a territorial strategy should be in place.

Content of the territorial strategy (Article 23(1) CPR proposal)

As a minimum, the following aspects should be set out: the geographical area covered by the strategy, an analysis of the development needs and the potential of the area; a description of an integrated approach to address the identified development needs and potential; and a description of the involvement of partners in accordance with Article 6 of the CPR proposal in both the preparation and in the implementation of the strategy.

The strategy may also contain, without this being an obligation, a list of operations to be supported (a common practice in several Member States in the 2014-2020 period) complying with the territorial strategy. Should this be the case, there is no obligation for further involving relevant bodies in the selection process as they were involved in the drafting, including the list of projects (cf. point below).

Responsibilities and involvement of relevant authorities/bodies

Territorial strategies should be drawn up under the responsibility of the relevant urban, local or other territorial authorities or bodies (Article 23(2) CPR proposal) which can receive support for this purpose (Article 23(5) CPR proposal). Additionally, urban, local or other territorial authorities should be involved in the selection of operations. If the strategy contains the list of projects, this requirement should be considered fulfilled; if it does not, then arrangements should be made to involve them in the selection process. Selected operations should comply with the corresponding territorial strategy. Involvement in a selection process would mean at least assessment of the compliance of projects with the corresponding strategy that backs up these projects.

The CPR proposal also clarifies that as long as an urban, local or other territorial authority or body undertakes only the task of selection of operations, they should not be identified by the managing authority as an intermediate body (Article 23(4) CPR proposal); if an authority carries out additional tasks which fall under the responsibility of the managing authority, it should be identified as an intermediate body.

Similar to the current practice, supported territorial strategies should either be predefined in the programme text, or selected by the Managing Authority. Selection of these should follow the same principles as for selecting operations (Article 67 CPR proposal).

6. ITI (Article 24 CPR proposal)

The main advantage of the tool introduced in 2014-2020 has been that it allows for territorial strategies to receive EU support by using a policy mix of measures combining funding from various priorities of other policy objectives, programmes and funds, while ensuring the integrated and place-based nature of the investments. To ensure continuity, ITIs would remain a programming tool for integrated territorial development with much shorter and simpler provisions regulating them.

ITIs could be used where the strategy involves investments that receive support from one or more Funds, from more than one programme or from more than one priority of the same programme

(Article 24(1) CPR proposal) as an option. ITIs may receive support from priorities programmed under any of the five policy objectives. Therefore support for ITIs programmed under the relevant policy objectives would count towards the thematic concentration target (PO1 and PO2 for the ERDF).

In accordance with Article 24(2) of the CPR proposal, managing authorities should ensure reporting on outputs and results of ITIs.

7. Other territorial tools for the ERDF under PO5

Discussions with local, territorial and urban authorities have shown that there are many integrated territorial development tools developed by the Member States already in place. These may be used to implement territorial strategies supported through cohesion policy. The CPR proposal recognises this need by introducing the possibility for the Member States to use other tools supporting initiatives designed by the Member States for investment programmed for the ERDF under PO5 (Article 23 CPR proposal).

For the purposes of providing ERDF support to integrated territorial development, territorial tools other than ITI and CLLD could only be used under PO 5.

8. CLLD (Articles 25-28 CPR proposal)

Apart from being a territorial instrument, CLLD is also a governance tool based on the LEADER approach. It implies a bottom-up involvement of a local community organised in an inclusive partnership of private and public members. They form a local action group (LAG) that designs and implements a local development strategy for their area taking into account its needs and potential. The local development strategies have to comply with minimum standards set out in Article 26 CPR proposal and are selected by Managing Authorities in charge of the funding strands concerned. CLLD should be used to foster social capital and enable innovative approaches to address emerging challenges, thus accompany transition processes in local communities.

In the 2014-2020 period, CLLD has been introduced as a joint participatory local development method for all ESI Funds, with clearly defined principles to reinforce its bottom-up feature. To date, more than 3,000 local action groups (LAGs) have been approved, responsible for implementing CLLD strategies set up across the ESI Funds. Therefore the CPR proposal provides for its continuation in a simplified way, ensuring a stronger alignment of rules across the Funds providing support and allowing for the possibility for using the tool for sustainable urban development.

In 2021-2027 period, the ERDF, the ESF+ and the EMFF may support CLLD under the common provisions (Article 25(1) CPR proposal). CLLD is to be supported from EAFRD via LEADER following Article 86(1) CAP proposal and in accordance with its Article 70.

To reduce complexities for beneficiaries receiving support from multiple funds, the lead fund option is proposed to be extended and managing authorities could either opt for:

- a) the use of one Fund only to cover all preparatory, management and animation costs related to strategies (Article 25(3) CPR proposal) similarly as in the 2014-2020 period, or
- b) extending this possibility and choosing one of the Funds providing support as the "Lead Fund", which would mean that only the rules of the Lead Fund would apply to the strategy implemented. The authorities of other Funds would need to rely on decisions and management verifications made by the competent Lead Fund authority; and the authorities of the Lead Fund would have to provide authorities of other Funds with information necessary to monitor and make payments in accordance with the rules set out in the Fund-specific Regulation.

To further enhance coordination of multi-fund strategies, the CPR proposal provides for their joint selection and joint committee to monitor their implementation.

Provisions on CLLD strategies (Article 26 CPR proposal), on local action groups (Article 27 CPR proposal) and on support from Funds (Article 28 CPR proposal) have been streamlined and simplified. Further proposed changes include: removing population limits for the definition of the area and population covered by the CLLD strategy and keeping the selection of cooperation projects to the

LAG level only. Moreover, the deadline for the selection of strategies is shortened in order to speed up implementation (Article 26(3) CPR proposal).

Support to CLLDs programmed under the relevant policy objectives count towards the ERDF thematic concentration minimum targets.

9. Sustainable urban development (SUD) under the ERDF and earmarking

Within the framework of sustainable urban development, it is necessary to support integrated territorial development in urban areas in order to more effectively tackle economic, environmental, climate, demographic and social challenges, including functional urban areas, while taking into account the need to promote urban-rural linkages.

The ERDF and CF proposal (Article 9 (2)) thus provides for an increased focus on sustainable urban development by proposing to dedicate at least 6% of the ERDF resources at national level (other than technical assistance) under the Investment for Jobs and Growth goal to this area.

The percentage should be respected throughout the programming period in the case of transfer between priorities within a programme or between programmes, including at the mid-term review (Article 9(3) ERDF and CF Regulation proposal). On the other hand, if the ERDF allocation is reduced as a result of decommitment or financial corrections, compliance with urban earmarking would not need to be re-assessed (Article 9(4) ERDF and CF Regulation proposal).

Programme(s) concerned should set out the planned amounts for SUD (Article 17(3)(d)(vii) CPR proposal) and earmarked amounts should be traced throughout the period.⁸

The principles for selecting the urban areas where integrated actions for sustainable urban development are to be implemented, and the indicative amounts for those actions, should be set out in the programmes under the Investment for Jobs and Growth goal (Recital 25 ERDF and CF proposal).

Investments for SUD could be programmed in the form of an ITI or using CLLD. They can also be programmed under another territorial tool provided it is programmed under PO5. (Contrary to the 2014-2020 framework, there is no obligation to have a dedicated priority or programme for this purpose.)

10. Programming of territorial approach

In 2021-2027, programming documents would need to set out only the key elements on the approach to integrated territorial development. In the Partnership Agreement, Member States would need to provide the description of the selected policy objectives (including PO5) indicating the Funds and programmes pursuing them and the corresponding justification (Article 8(a) CPR proposal).

The programmes would need to include a summary of the main challenges, taking into account economic, social and territorial disparities (Article 17(3)(a)(i) CPR proposal). Under each specific objective, a short description of specific territories targeted, including the planned use of ITIs, CLLD or other territorial tools would need to be provided (Article 17(3)(d)(iv)).

⁸ Via the dimension codes for the territorial focus and the territorial delivery mechanism dimensions. (CPR proposal Annex 1, table 3).