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Eleanor Murphy

European Funding: Integrated Territorial Investment (ITI)

1 Introduction

In October 2011, the European Commission adopted *draft legislative proposals* for EU cohesion policy for 2014-2020. The new proposals are designed to ensure that EU investment is targeted on the Commission's long term goals for growth and jobs and aim to *harmonise the rules* related to different European Funds[1]. EU Cohesion Policy invests in areas such as energy efficiency; training; research and innovation; transport; support for Small and Medium Sized Enterprises (SMEs); renewable energy; and co-operation between European regions.

The Commission is proposing changes to the Cohesion Policy for 2014-2020 in order to deliver the Europe 2020 Strategy[2] objectives with a *greater focus on results and positive outcomes* and to *maximise the impact* of European Funding[3]. One aspect of the cohesion policy is promoting social cohesion and tackling issues such as social and economic deprivation.

[1] European Commission - http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm
[2] See http://ec.europa.eu/europe2020/index_en.htm
[3] European Commission Presentation on EU Cohesion Policy http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/presentation_final_en.ppt

In an effort to reinforce territorial cohesion the Commission believes that European *cities* have the potential to make a much larger contribution to policies for growth, social cohesion and environmental sustainability. To this end it is proposing that a **minimum of 5% of the European Regional Development Fund**[4] resources for each Member State for 2014-2020 should be invested in integrated actions for ***sustainable urban development*** with the management and implementation delegated to cities (under Article 7, paragraph 2 of the proposed ERDF regulation)[5]. The Commission are proposing to introduce a new tool, known as **Integrated Territorial Investments (ITIs)**, to focus on integrated actions in urban development through the means of simplified financing.

2 What are Integrated Territorial Investments?

As yet there is relatively little *detailed* information from the Commission as to how Integrated Territorial Investments will operate. However, the Commission has published a factsheet providing an outline the ITI concept[6]. The factsheet describes ITIs as:

> *"a tool to implement territorial strategies in an integrated way. It is not an operation, nor a sub-priority of an Operational Programme. Instead, ITI allows Member States to implement Operational Programmes in a cross-cutting way and draw on funding from several priority axes of more or more Operational Programmes to ensure the implementation of an integrated strategy for a specific territory. As such, the existence of an ITI will both provide flexibility for Member States regarding the design of Operational Programmes, and enable the efficient implementation of integrated actions through simplified financing".*

There is an 'Operational Programme' for each region of the EU which sets out the region's priorities for delivering European funding (e.g. the structural funds) and the expected impact of the investment.

Funding for ITIs can be financed by the European Regional Development Fund (EDRF), the European Social Fund (ESF) and Cohesion Fund but it is not compulsory to combine all Funds in each ITI. The purpose of this approach is to create degree of flexibility across funding streams. It is arguable that currently EU structural funding has tended to be somewhat inflexible with strict regulations as to the type of areas that the funding should support. ITIs aim to promote greater flexibility/cross-funding to promote an integrated approach to addressing issues within specific territories.

4 The European Regional Development Fund (ERDF) finances a number of areas in order to reduce economic, environmental and social problems – e.g. SME investment to create sustainable jobs; environment, energy and transport infrastructure; 3research, technology and innovation, communications; the development of economic and cross-border relations.

5 European Commission. Factsheet on Integrated Sustainable Urban Development. http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/urban_en.pdf

6 European Commission. Integrated Territorial Investment. http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/iti_en.pdf

There are three key elements of an ITI – an integrated development strategy; a package of actions to be implemented; and strong governance arrangements[7]:

1. **An integrated territorial development strategy**: a 'designated territory' should have an ***integrated territorial development strategy***. The 'designated territory could, for example, be a specific geographic area with a region, for example, a city such as Belfast or Derry/Londonderry or could be areas of deprivation within these cities, or could focus on cross-border city co-operation) The ITI does not have to cover the whole territory e.g. the whole of Northern Ireland. An integrated territorial development strategy can be defined as a general framework of co-ordination between governmental bodies (including local and regional authorities) and other stakeholders (private businesses, the community and voluntary sector, service users) to create a common economic, social and environmental vision for an area[8].

2. **A package of actions to be implemented**: these actions should contribute to the thematic objectives of the regional Operating Programme as well as the objectives of the territorial strategy (e.g. tackling urban deprivation, supporting SME's; improving the environment and promoting energy efficiency). The European Commission would encourage that ITIs combine ERDF and ESF so that "soft investments" (e.g. skills support for people who are unemployed, grants for small community groups etc.) are linked to "hard investments" (e.g. physical infrastructure investment). However, this approach will not be compulsory.

3. **Governance arrangements for the management of the ITI:** Ultimately the 'Managing Authority' for the Operational Programme will be responsible for managing and implementing the operations of an ITI. It is not specified who a managing authority is, but one could presume that these could be the various government departments responsible for the different strands of funding. The managing authority *can designate intermediary bodies* to manage all or some of the operations of the ITI, e.g. a local authority or non-government organisation.

   Again, this multi-stakeholder approach does not appear to be a compulsory element. However, research suggest that the most successful EU Programmes (e.g. URBAN II) associated with an effective integrated approach are ones which involve a **broad range of local partners** (including the private and voluntary and community sectors, citizens), a **community-led approach** that can provide an input into identifying local needs and priorities and the necessary responses[9].

[7] European Commission. Integrated Territorial Investment. http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/iti_en.pdf
[8] See http://www.factsproject.eu/SiteCollectionDocuments/Handbook/H1_1.pdf
[9] Soto, P., Houk, M., Ramsden, P. & Tosics. (2012) Integrated Territorial Investments: A powerful tool for innovation and change in European Cities?

What types of Integrated Territory Investments (ITIs) could be formed?

A research paper by *Soto et al* (2012), which explores the possibility of ITIs as a powerful tool for innovation and change in European cities, identifies six possible types of ITIs:

- **Single area ITIs:** i.e. ITIs in single neighbourhoods or areas of the city, these do not necessarily have to be limited to deprived urban neighbourhoods, they could also take place in science quarters, declining industrial areas or brownfield sites, heritage areas, city centres.
- **Multiple Areas of Intervention ITIs:** multiple neighbourhoods or areas within cities e.g. an integrated approach to certain types of areas spread across the city (e.g. areas of industrial and industrial decline, areas of deprivation)**.**
- **Small City ITIs:** i.e. small and medium sized service centres and attached rural hinterlands (e.g. could be applicable, for example, to Newry).
- **Functional ITIs:** i.e. ITIs dealing with functional urban areas, covering more than one city (e.g. Belfast, Derry/Londonderry, Lisburn, Newry).
- **Rural-Urban Linkages ITIs**: ITIs dealing with certain key urban-rural linkages (e.g. transport and business corridors between urban and rural areas, cross-border areas).
- **Thematic or Target Group ITIs:** i.e. whereby an ITI priorities particular target groups e.g. migrant populations, or target particular themes such e.g. the labour market – this approach should form a coherent part of an overall integrated strategy for the entire area.

As yet there isn’t detailed information from the European Commission as to the types of ITIs that could be formed and the rules for the operation of ITIs. The Commission’s proposals for ITIs are still at an early stage and the Committee may wish to monitor the development of this element of the cohesion policy.

What are the perceived benefits of Integrated Territorial Investments?

The European Commission factsheet on ITIs identifies four benefits of ITIs:

- The ITI as an instrument promoting the integrated use of European Funds with the potential to lead to a better aggregate outcome for the same amount of public investment.
- Delegation and management of ITIs would empower the sub-regional actors (e.g. cities, local/urban stakeholders).

- As an ITI will have its various funding streams at its inception, there will be greater certainty regarding the funding for integrated actions.

- ITIs are an instrument designed for a place-based approach to development that can assist in unlocking the under-utilised potential at local, city and regional levels.

What needs to be done to make ITIs successful?

The research by Soto et al (2012) identifies the following conditions for successful Integrated Territory Investments in cities – i.e. getting the process right; clarifying the strategy that should underpin the ITI; and increasing stakeholder involvement.

1. **Getting the process right**: Soto et al strongly argue that work on ITIs needs to start early - priority themes should be defined; the types of ITIs needed are identified; indicate budgets planned.

2. **Clarifying the scope of integrated urban development**: ITIs should not *"simply be shopping lists of vaguely related hard and soft measures. Nor do they mean dealing with everything at the same time and giving them the same weight".* Soto et al argue that the strategy underlying the ITI should have a number of key elements – e.g. an understanding of the linkages between spatial areas, sectors, projects, and environmental, social and economic development; and, a focus on clear priorities that address the main challenges of each city.

3. **Increasing stakeholder involvement**: to ensure the quality of governance arrangements; and, a partnership that reflects the socio-economic make-up of the area (service users, regional and local government, private and voluntary and community sectors). The governance arrangement must include ensuring that the any partnership is supported by sufficient human resources and skills to take the strategy forward. The partnership approach should have the capacity for innovative solutions, a shared vision, design a viable strategy; mediate conflicts, and select and support both private and public projects.

3 Committee consideration of ITIs

The Department for Finance and Personnel website states that the current shape and size of EU Funding Programmes in Northern Ireland for 2014-2020 is not yet known. However, scrutiny of the draft EU Regulations for Cohesion Policy and negotiations on the EU budget is ongoing with DFP and other NI departments engaged in this process. The EU budget and Cohesion Policy are reserved matters and DFP participates in UK negotiators groups. However, according to DFP, work is currently underway to produce proposals for the European Funding programmes for Northern Ireland for the next funding period in line with the Executive priorities and the requirements of the draft regulation[10].

A **Core Programming Group** of key department officials has been established and has commenced work on coordination of:

- the NI socio-economic analysis;
- outline versions of Operational Programmes in respect of Investment of Growth and Jobs (ERDF and ESF), Rural Development Programme and Cross Border (PEACE and INTERREG) Programmes; and
- Ex-Ante Evaluation of Programmes.

In addition to this a **Consultative Partnership Group** of sectoral and social partners has been established. This Group will receive proposals and advise government in advance of preparation of Northern Ireland Investment for Growth and Jobs draft programmes and input into the draft UK Partnership Agreement. Advisors to the Group include representatives from DETI, DEL, NISRA, DARD, the Special EU Commissions Body (SEUPB) and the European Commission. There does not appear to be any representation from DSD and the Committee may wish to clarify why this is the case.

Bearing in mind that the detailed outworkings of Integrated Territorial Investments (ITIs) is yet to be clarified, the Committee may wish to engage at an early stage with the DSD to discuss the merits of the Integrated Territorial Investment model as well as wider issues relating to sustainable urban development issues.

[10] DfP website [accessed 13 March 2013] www.northernireland.gov.uk/index/media-centre/news-departments/news-ofmdfm/news-releases-ofmdfm-february-2011/news-ofmdfm-010211-junior-ministers-welcome.htm