

Policy Objective 5

18 June 2020
Bringing territoriality into Interreg



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Publisher Interact Programme Date 18 June 2020 Publication leader Philipp Schwartz
Contributors Bernhard Schausberger, Mercedes Acitores, Robert Mazurkiewicz, Linda Ring

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Table of Contents

| | |
|--|----|
| Table of Contents | 3 |
| List of Abbreviations | 4 |
| Introduction | 5 |
| 1. General questions related to PO 5 | 6 |
| 1.1. Is PO 5 only for CBC, or also for transnational programmes? | 6 |
| 2. What could be considered as strategy in the context of PO 5? | 7 |
| 2.1. General – Territorial strategy as a starting point | 7 |
| 2.2. Requirements for ‘territorial strategies’ according to Art. 23 Draft CPR | 7 |
| 2.3. The Interreg programme itself as a strategy? | 8 |
| 2.4. Macro-regional/sea basin strategies? | 8 |
| 3. What is required to be included in the Cooperation Programme? Who develops, approves and owns the territorial strategy? | 8 |
| 3.1. What needs to be included in the Cooperation Programme? | 8 |
| 3.2. Who develops, approves and owns the strategy? | 9 |
| 4. Thematic choices – Which specific objective within PO 5? | 9 |
| 4.1. PO 5 and ISO 1 (A better Interreg governance) | 10 |
| 4.2. Tourism and Cultural Heritage as multi-sectoral topics under PO 5 | 10 |
| 4.3. How to tackle the split into ‘urban’ and ‘all other territories’ in the two SOs under PO5 in practice? | 11 |
| 5. Territorial tools | 11 |
| 5.1. Translating the participatory approach of a territorial tool into projects and contracts | 11 |
| 6. Governance issues | 12 |
| 6.1. Division of responsibilities | 12 |
| 6.2. Identification of operations | 12 |
| 6.3. Monitoring of strategy implementation | 13 |
| 6.4. Small Project Fund | 14 |

List of Abbreviations

| | |
|-------|--|
| CBC | Cross-border cooperation |
| CLLD | Community-led local development |
| CP | Cooperation Programme |
| CPR | Common Provisions Regulation |
| DG | Directorate General |
| EC | European Commission |
| EGTC | European Grouping of Territorial Cooperation |
| ERDF | European Regional Development Fund |
| ETC | European Territorial Cooperation |
| ICZM | Integrated coastal zone management |
| ISO | Interreg-specific Objective |
| ITI | Integrated territorial investment |
| JS | Joint Secretariat |
| LAG | Local Action Group |
| MA | Managing Authority |
| MC | Monitoring Committee |
| MRS | Macro-regional strategy |
| MSP | Maritime spatial planning |
| PITEM | Thematic Integrated Plans (Les plans intégrés thématiques) |
| PITER | Territorial Integrated Plans (Les plans intégrés territoriaux) |
| PO | Policy Objective |
| SBS | Sea basin strategy |
| SC | Steering Committee |
| SO | Specific Objective |
| SPF | Small Project Fund |
| TAPE | Territorial Action Plans for Employment |

Introduction

Each programming period seems to have its key words and mantra. For 2014-2020, these were thematic concentration and result orientation. Now, for 2021-2027, they are territoriality and functional areas. This paper on Policy Objective 5 – largely based on an online Q&A Session from 29 April 2020, and to be checked against the final versions of the relevant regulations – is closely linked to the notion of territoriality (and functional area). Based on questions from the Interreg community and answers provided by the European Commission, DG Regio (Units D1 and D2), it elaborates on the key aspects of Policy Objective 5 in the 2021-2027 programmes.

This 'Policy Objective 5' paper aims at:

- Providing a good understanding of the idea behind PO 5 and how it could be integrated into future programmes.
- Showing that having PO 5 in a future programme will lead to a more strategic approach and a higher programme impact by refocusing away from individual projects towards territorial approaches and solutions.
- Proving that PO 5 does not lead to a loss of control of the traditional programme implementation structures. Instead, it provides the programme with additional territorial expertise.

1. General questions related to PO 5

PO 5 is one of the five policy and two Interreg-specific objectives which 2021-2027 Interreg programmes can choose from (Art. 4(1) Draft CPR, Art. 14(4) and (5) Draft ETC Regulation).¹ According to the draft regulation, PO 5 is about *"a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives"*.

The difference from the "thematic" policy objectives 1 to 4 is that while they address single thematic challenges in a certain territory, PO 5 addresses multi-thematic challenges in a certain territory. If actions are needed only in one sector, PO 1 to 4 are the ones to go for. If simultaneous and interlinked actions in several sectors are needed, PO 5 and the integrated development is the way forward. This is what the term 'integrated development' in Art. 4(1) Draft CPR stands for.

Simply put:

- Use PO 1 to 4 for a functional area with a single thematic focus if action is needed in only one sector.
- Use PO 5 for a functional area with multi-thematic challenges requiring action not only in one sector, but in an integrated way across sectors.

1.1. Is PO 5 only for CBC, or also for transnational programmes?

Art. 4(1) Draft CPR refers to ERDF as a whole. Hence the choice of PO 5 is not limited to or excluded for any of the three Interreg strands, which means transnational programmes can also select PO 5 for 2021-2027. Having said this, what is written in this document applies to any future Interreg programme, whether it is a cross-border, transnational or interregional² cooperation programme (if not otherwise stated).

This misunderstanding, that PO 5 is only for CBC programmes, is most probably due to the fact that Art. 22 Draft CPR mentions ITI and CLLD as possible forms of territorial and local development strategies. However, Art. 22 Draft CPR also mentions *"another territorial tool supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective referred in Article 4(1)(e)"*. At the same time, there is no contradiction if within a transnational programme and its broad cooperation geography territorial and local development strategies exist that have been developed for specific smaller parts of that large area. The idea is not to develop one local strategy for the whole transnational cooperation area.

¹ References to legal provisions, especially draft 2021-2027 regulations, are made to the original proposals tabled by the European Commission in May 2018.

² With exception of ESPON and Interact, which are obliged to use ISO 1 (Better Interreg/cooperation governance).

2. What could be considered as strategy in the context of PO 5?

2.1. General – Territorial strategy as a starting point

Art. 22 Draft CPR states: *“The Member State shall support integrated territorial development through territorial and local development strategies in any of the following forms: (a) integrated territorial investments; (b) community-led local development; (c) another territorial tool supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective referred in Article 4(1)(e).”*

This means that should a programme decide to select PO 5, it needs a territorial or local development strategy in any of the forms mentioned in Art. 22 Draft CPR. However, this strategy is not an aim in itself, but a tool to support integrated territorial development. PO5 without such a territorial or local development strategy is not possible. While the concepts of ITI and CLLD might be already (well) known, the question is what could be understood as such strategy in the form of *“another territorial tool”*. Questions about when and who to develop the strategy and how to include it into the Cooperation Programme will be covered in the following section.

As the name “territorial or local development strategy” says, this is a strategy for the development of a certain territory – referring to the notion of functional areas - and not for a certain programme (programme strategy). And this is why a strategy is not limited to Interreg, but can include – again, in an integrated way – actions supported by other funding mechanisms.

If the programme wants to support different functional areas, then logically the programme also needs to develop different territorial or local development strategies. This could be the case if, e.g., there are different specific territories within one programme area (e.g., mountains and rivers, islands, coastal areas and hinterland) which each has its specificities. For example, where a sea basin forms a functional area, or where within one programme there are specific maritime zones (functional areas), issues like ICZM, MSP or, e.g., maritime parks, could be implemented in an integrated way under PO 5. The difference between (bilateral) CBC and transnational programmes lies in the scale of areas and the fact that in transnational (and multilateral maritime CBC) programmes these areas might not be physically connected, but scattered around (e.g., a group of islands or a range of mountains).

2.2. Requirements for ‘territorial strategies’ according to Art. 23 Draft CPR

Art. 23 Draft CPR defines the requirements for a ‘territorial strategy’. Briefly stated, it could be said that the strategy outlines the clearly identified needs and assets for an identified territory, that the strategy is multi-sectoral and requires inter-connected projects to be implemented, that the strategy is built on multi-level governance involving all relevant and competent levels and stakeholders, and that the strategy is owned by the key territorial partners. The strategy should be developed by those concerned; i.e.,

the concerned stakeholders in the territory covered (and not by an external consultant with no connection to the territory).

For many territories, there might already exist various territorial or local development strategies, and the question arose if these could be used or if totally new strategies would need to be developed. What in the end counts is that the territorial strategy fulfils the requirements of Art. 23 Draft CPR, which can also be the case of existing strategies or of existing strategies serving as a basis and being further developed/updated. This means that existing strategies can be used if they fulfil the requirements of Art. 23 Draft CPR.

2.3. The Interreg programme itself as a strategy?

Some argue that an Interreg programme in itself is by definition a territorially-integrated functional area, and can be considered as such an integrated territorial strategy within the framework of PO 5, since Interreg programmes are multi-sectoral, multi-level and multi-stakeholder in their approach. However, there is no such general rule. The starting point is to define the relevant functional area(s) which through PO 5 would be able to implement their territorial strategies in an integrated way. Functional areas are areas with a high degree of interactions and interdependencies, where simultaneous actions in different sectors are necessary for future development (education, employment, transport, health, business support).

2.4. Macro-regional/sea basin strategies?

A sea basin could be a functional area, as could a river basin, as could parts of the sea basin or the river basin. This applies to both transnational and CBC programmes, as it is the sea which binds territories together and could be the focus of an integrated strategy.

3. What is required to be included in the Cooperation Programme? Who develops, approves and owns the territorial strategy?

3.1. What needs to be included in the Cooperation Programme?

In the CP, if PO 5 aims at an **integrated territorial development of local areas** one needs to describe and support, with evidence, the areas that form the functional area, and that these are the territories (functional areas) the programme wants to support using PO 5. Furthermore, the mechanism to implement PO 5 should be described in the CP, as well as the involved authority which will implement the integrated territorial strategy and how projects are going to be identified ("territorial strategy" according to Art. 23 (1) Draft CPR, *see also above 2.3.*).

You might at this stage have the general idea about the territorial strategy, but all the details are not clear yet. For example, if you have not yet identified the functional areas to be supported under PO 5, it is sufficient to state in the CP that you will identify these

at a later stage. The same applies to the other aspects mentioned above; e.g., that the respective territorial strategy has not yet been approved by the strategy owners or not yet shared with and rubber-stamped by the MC. This means that the strategy does not need to be 100% ready when the CP is submitted for approval to the EC. The previously-mentioned steps in the territorial strategy can also be finalized after programme adoption, and the work to finalise the strategy could be financed through Interreg (ISO Better governance). However, as this poses challenges in the assessment of the CP by the EC prior to approval (e.g., regarding the budget allocated to PO 5), it can be said that the more specific the CP is, the better. And naturally, any project under PO 5 can only be selected once the strategy has been finalized.

In the case of **sustainable tourism and culture**, and in the case of small and rather coherent programme areas, this might be slightly different, as the whole programme area in the case of tourism – which by nature is multi-sectoral – could be considered an integrated area if there is a clearly-identified destination for tourism. In this case, the CP should include a specific tourism strategy comprising of all the aspects of tourism in an integrated (multi-sectoral) way (e.g., not just renovating individual buildings).

3.2. Who develops, approves and owns the strategy?

Anybody involved in developing and implementing an integrated territorial strategy within the framework of PO 5 has to be directly connected to that territory, has to come from there, or has to have a very high stake in that territory. These could be local and regional authorities, intermediaries, or public and private institutions relevant for the topics addressed in the strategy. At the same time, if the programme partners have agreed on using PO 5 in their programme, it is in the CP and is part of the overall programme. Even if one or several strategies to develop specific local areas or tourism are then developed and owned by the concerned local/tourism stakeholders, this does not make these strategies stand-alone strategies outside of the programme. On the one hand, the strategy owners have to approve the strategy. On the other hand, it remains at the discretion of the MC to decide if the strategy fits the programme. In the best case, this becomes a negotiation process. The major change is the point of departure for discussion and negotiation – which is the strategy, and not the single project. This means the MC and the strategy owner must work hand-in-hand for the benefit of the programme, not separately or even against each other.

4. Thematic choices – Which specific objective within PO 5?

To start with, as mentioned above, PO 5 is not a thematic policy objective, nor an objective limited to one specific theme, as it talks about an integrated development which needs simultaneous actions in different sectors (themes). As stated above, if a certain challenge can be tackled by actions in just one sector, only the respective policy objective (1 to 4) should be selected. However, if integrated actions are needed in different sectors, then this is clearly a case for PO 5 – hence, actions might cover a broad range of topics. The starting point for choosing the relevant PO is not which topic/theme the programme wants to support, but whether the challenge in question

can be solved with actions in one sector or whether it needs an integrated solution across different sectors. The primary objective of PO 5 is sustainable and integrated development in a certain territory, not the support to a specific theme.³

4.1. PO 5 and ISO 1 (A better Interreg governance)

The question arose about the relation between PO 5 and ISO 1. Naturally, different objectives have different 'operational' objectives. This means that the same activity cannot be implemented under both policy objectives. The activity must be implemented either under PO 5 or under ISO 1, as they are designed to support different kinds of actions. Simply put, in the relation between ISO 1 and PO 5 one could say that ISO 1 can be used to build/develop the institutional capacity needed to, subsequently and under PO 5, implement territorial strategies. In other words, ISO 1 could support building the PO 5 delivery mechanism.

4.2. Tourism and Cultural Heritage as multi-sectoral topics under PO 5

The main starting point is the question of what you want to achieve. If your objective is to develop a destination as a tourism product, PO 5 enables you to implement a number of different types of actions (e.g., in the fields of environment, transport, skills development, employment). If the objective is to support tourism through any other PO, the overarching project objective has to be in line with the 'sectoral' objective of the respective PO. For PO 1 to 4, this is not tourism (except for PO 4 and the Specific Objective "*enhancing the role of culture and tourism in economic development, social inclusion and social innovation*").⁴ One could maybe even say that tourism in PO 5 (and in the mentioned PO 4 SO) is the objective, while in the other POs it can be a tool to achieve the objectives of these POs. An integrated tourism strategy can only be implemented under PO 5, while under any other PO only the respective bits and pieces of that integrated tourism strategy related to that specific objective could be implemented. However, this is not an either-or decision, as it is also possible to combine both. For example, PO 5 can be used for the integrated development of a specifically identified destination in the area. In parallel, PO 4 can be used, for example, for skills development, in this case in the tourism sector. ISO 1 (Better Interreg governance) could then be used to build the institutional capacities to develop and implement tourism strategies. But ISO 1 cannot be used for tourism-related activities itself, especially not for any investment.

³ Questions referring to the other PO and ISO, and which topics could be covered under which PO/ISO, are not part of this paper.

⁴ The new PO 4 Specific Objective on culture and tourism (Art. 2(1)(d)(v) Draft ERDF Regulation) has been introduced by the European Commission in the negotiation process in response to the corona crisis. This sub-chapter 4.2. will need to be checked later on against the final approved regulation.

4.3. How to tackle the split into 'urban' and 'all other territories' in the two SOs under PO5 in practice?

Often, Interreg programmes include both urban and non-urban, other types of territories at the same time. If the programme (area) has a clear urban focus and your actions under PO 5 will focus on urban centres, then use SO 1. If it is a mix of urban and non-urban areas, then use SO 2. In the end, the difference between SO 1 and 2 is more of a semantic-technical nature, helping to identify the funding going into urban territories (please note that it is DG Regional and Urban Policy). For transnational programmes, this is less of an issue, and in most cases SO 2 is the right choice.

5. Territorial tools

Territorial tools translate the territorial strategy into actions. Art. 22 Draft CPR offers three different forms of territorial tools to implement territorial development: ITI, CLLD and "*another territorial tool supporting initiatives designed by the Member State for investments programmed for the ERDF under the policy objective referred in Article 4(1)(e).*" Hence, PO 5 is not limited to ITI or CLLD, nor is the use of either ITI or CLLD mandatory.

While ITI and CLLD are ready-made (but not mandatory!) tools, the third option provides the opportunity to tailor-make the right territorial tool for the implementation of the strategy. That could be existing territorial structures (EGTC) or structures established just for this purpose (such as a Steering Committee, PITER/PITEM, TAPE)⁵ or a Small Project Fund (see below 6.4).

5.1. Translating the participatory approach of a territorial tool into projects and contracts

An example could be the LEADER Programme and how it is implemented through so-called Local Action Groups (LAGs). The LAG management is mainly in charge of establishing a participatory process, in order to define a strategy, and subsequently supporting project development along the strategy. The LAG sets up structures similar to associations, and decision-making resembles the structures of a programme; i.e., a Steering Committee selects the projects, but normally does not do the contracting. There are year-long experiences and a broad range of guidance documents one could benefit from in view of PO 5, especially on the aspect of relation and interaction built on trust between the different levels involved in the programme implementation, in the case of LEADER; e.g., the LAGs and the MC and the MA. Other examples of how a participatory approach to a territorial tool translates into projects and contracts are the

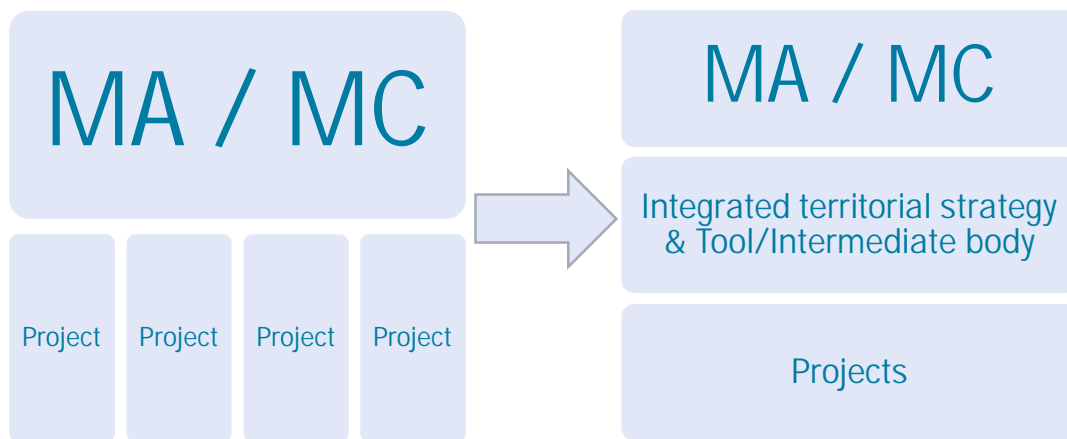
⁵ For PITER/PITEM and TAPE see the presentations at <http://www.interact-eu.net/#o=events/new-approach-bringing-territoriality-interreg>.

integrated territorial/thematic plans (PITER/PITEM) and the territorial action plan for employment (TAPE).⁶

6. Governance issues

6.1. Division of responsibilities

The programme management set-up remains very much the same, and selecting PO 5 does not lead to a loss of control or suchlike for the MA or MC. The contracting of projects remains with the MA, while monitoring the overall responsibility for the programme development remains with the MC. What PO 5 does is add a strategic level, focusing the attention from a project-based perspective to a territorial perspective.



6.2. Identification of operations

To start with, the implementation of PO 5 through territorial strategies is not a replica of the programme working method - it is not a programme within the programme! It is a different method entirely. The integrated territorial strategy – as developed by concerned stakeholders in the territory covered – provides the framework for what activities can be supported. The activities can be identified already in the strategy, and in that case when the MC accepts the strategy it also accepts the projects associated with it, Or, they can be identified later or possibly through calls, but “traditional” competitive calls should not be used as a standard procedure for selecting projects within PO 5. Projects identified for support by PO 5 stakeholders are not re-approved by the “ordinary” programme MC, but the PO 5 “tool” needs to have good working relations with the MC/MA. Contracting would normally be done by the MA.

⁶ For PITER/PITEM and TAPE see the presentations at <http://www.interact-eu.net/#0=events/new-approach-bringing-territoriality-interreg>.

A variety of mechanisms could be applied (Art. 22 Draft CPR). Besides the already defined territorial tools of ITI and CLLD, the 'another territorial tool' (Art. 22 Draft CPR) offers programmes a lot of flexibility. The main point is, once again, that PO 5 aims to bring programmes close(r) to coherent territories that need to be developed in an integrated way. One aspect of this is to make those who are close to the territory identify projects; the local actors in that given territory, the owners, the ones most affected by the implementation of an integrated territorial strategy in their territory. Specifically, the strategy owner should set up a group of local stakeholders for project identification. Another option would be to agree and predefine the actions to be supported already in the strategy.

It is important to underline that letting the strategy actors, the local actors, identify the projects, does not transfer the responsibility for the programme as such from the MA and the MC to the strategy owners. It is rather an interaction built on trust between the different levels contributing to an integrated development of the territory and the successful programme implementation overall. In the end, it is still the responsibility of the MC to:

- confirm that either parts of or the whole strategy fits to the programme (please note that it is at the discretion of the MC to decide that certain elements of a strategy are rather unilateral, or that the scope of a certain project exceeds the budgets available and thus might not be funded from Interreg ...) and
- monitor the overall programme development, thus also the implementation of PO5, intervening if/when necessary.

Furthermore, it is the MA which signs the individual contracts with the projects.

In cases where the functional area, the integrated territory to be further developed, coincides largely with the programme area (e.g., in the field of tourism), the programme structures could be used to implement PO 5. But also in this case, to ensure the involvement of the relevant stakeholders in the project identification, a specific identification mechanism (under the MC, not necessarily a separate sub-committee) should be set up involving the key stakeholders in charge of developing tourism in the identified territory. This could be either a separate committee or a small council providing recommendations to the MC. Solutions should be proportionate and consider multi-level governance as well as relevant topical and territorial expertise. Open calls for projects are not necessarily the most appropriate way to identify projects – participatory methods should be preferred.

6.3. Monitoring of strategy implementation

With the introduction of the strategy as a new layer under PO 5, future provisions for the monitoring of strategy implementation also have to be taken into account. It is advised that strategy owners be requested to propose a set of indicators (in the sense of key performance indicators) which allow progress in strategy implementation to be monitored. The proposed set of indicators should then be discussed with the MA/JS, in order to align them with programme indicators for a comprehensive measurement. The

proposed indicators on strategies should complement the programme indicators for PO 5. But it is important that the actual progress in strategy implementation is properly reflected in qualitative and quantitative indicators; .i.e., progress in the sense of integrated territorial development.⁷

6.4. Small Project Fund

SPF might be used as a tool to implement territorial development strategy under PO 5 (following the rules for SPF). Whether SPF is the right tool to use depends on what kinds of actions are identified in the territorial development strategy. If the strategy relies on a number of large investments (e.g., infrastructure) then SPF is not suitable. However, if the implementation of the territorial strategy is based on soft measures, then SPF could be considered as a (complementary) tool to implement either specific strategy elements or major parts of the territorial development strategy.

⁷ Whereas programme indicators tend to measure quantitative performance of project implementation the reference point for strategy implementation is different.