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CEMR

Submission

Local development in cohesion policy

Brussels, April 2010

CEMR Statement on Local Development in EU Cohesion Policy

The Council of European Municipalities and Regions (CEMR) wants to contribute to the debate on Local Development in the future of EU Cohesion Policy. Building on our [policy position](#) (on the future of cohesion policy) adopted last December by the Policy Committee, we welcome the current work being undertaken by the European Commission to make the policy more sensitive to local issues in the future. We hope that a strong local dimension is reflected in the 5th Cohesion Report and the subsequent Structural Funds regulations.

This contribution and the annexed summaries show that **Local Development is already a reality in many Member States**. However, as we fully agree with the Commission's Kiruna Paper, we believe that the potential for local development is very much limited by a lack of specific local dimension in the policy design, financial instruments and implementing structures in some countries. However, we want to stress that EU initiatives on Local Development should not be about imposing spatial planning solutions at EU level.

We strongly support integrated development at the sub-regional level based on a 'bottom-up' methodology that is: strategic and multidimensional; based on local partnerships, and where networking and capacity building are important building blocks. This can be implemented through specific instruments for integrated local development particularly in sub-regional territories such as urban and rural areas but also in functional economic areas. Local Development is possibly the only effective way to address questions related to social inclusion, economic development, access to public services and all the specific challenges facing inhabitants in disadvantaged (urban and rural) areas. Local Development can also be a tool to tackle global challenges at the local level (e.g. energy, climate change, demographic change, globalisation etc).

We encourage the European Commission to introduce Local Development in the new programmes. The evidence we have gathered shows that the **Commission can ensure that EU Cohesion Policy really makes a difference on the ground by making it more sensitive to, and targeted to, the local level**. This needs to be embedded at the **analytical level** (i.e. showing consistently and in detail subregional disparities and challenges in the 5th Cohesion Report and similar research like ESPON and Urban Audit); at **policy design level** (by making subregional local development one of the pillars of Cohesion Policy interventions) **at regulatory level** (by proposing a range of local development Initiatives, Frameworks and Methodologies in the Regulations); at **financial level** (by enabling Local Development Initiatives within Operational Programmes and adequate financing for local development); and at **delivery level**, by facilitating the establishment of **Local Development Partnerships** and Local Development delivery structures, including sub-delegation. Modernised delivery structures such as sub-delegation and global grants should be made greater use of in those areas which wish to use them. Technical assistance should be decentralised and used to assist local development.

Clearly, we recognise that there is only so much that the Commission can do to advance Local Development. Any real improvement of the current situation would ultimately be based on subsidiarity and, crucially either the willingness or ability of Member States to address local challenges in a more structured way. However the attached evidence shows that there is already a solid foundation of local development activities taking place in the Member States and a wide range of possibilities (at the analytical, financial and delivery level) that the Commission could make use of.

CEMR Local Development Key messages

1. The future EU Cohesion Policy must continue to support all EU' s localities in their social and

economic development, with a special focus on the regions lagging behind. It needs to be ensured that the territorial dimension of cohesion, added through the Lisbon Treaty, is seriously reflected in the future Cohesion Policy.

2. Local and regional authorities by nature play a prominent role in regional and economic development, therefore responsibilities, accompanied with appropriate resources, should be allocated to them.
3. **The partnership principle should be emphasised.** Member States should be obliged to involve the local and regional level in planning, decision-making, implementation, monitoring and evaluation.
4. A more concrete and legally binding definition of the partnership principle would reduce arbitrary or inconsistent interpretations of this principle across the Member States. The European Commission should explore and propose minimum standards for the partnership principle and monitor its application.
5. **CEMR supports the introduction of a wider set of criteria for the orientation and assessment of Cohesion Policy** to complement the traditional GDP-based indicators. CEMR also supports the application of indicators at levels below NUTS 2 (regions).
6. As the Barca report states, a possible obstacle to an effective Cohesion Policy are disparities within one region. There are “rich” regions in the EU where “pockets” of deprivation or areas with structural handicaps exist. Therefore the situation below NUTS 2 level (regions) needs to be assessed and thus the indicators need to be applied at the most appropriate spatial level.
7. **Fragmentation of EU funding programmes generates difficulties for local and regional authorities in achieving coherence of their projects** and in efficiently addressing social, environmental and economical problems in an integrated way. Technical assistance, exchange of experience between managing authorities etc. would be appropriate measures to build capacity.
8. **Flexible allocation and common rules for funds must be implemented in order to reduce the administrative burden.** The most effective model may ultimately be that each territory should receive a single block of consolidated EU funding, which is based on a set of priority outcomes agreed between the territory, the Member State, and the EU, under a three-way ‘contract’.
9. CEMR supports the introduction of performance indicators to ensure effectiveness of the policy and to legitimise its existence. One option would be the introduction of performance based contracts, as proposed in the Barca report: outcome-based contracts between the Commission, the Managing Authority and the Implementing Body could define the responsibilities and actions of each level.
10. CEMR advocates a “governance indicator” measuring the involvement of local authorities into decision making on a regional level.

Local Development - Summary of gathered Evidence:

Czech Republic - *Integrated Urban Development Plans*

Latvia – *Local Development*

Denmark - *Regional Growth Fora*

England (UK) – *Local Area Agreement*

Germany – *“Regionalised Teilbudget” and “Active Region”*

Netherlands – *Subdelegation ERDF programme Kansen voor West 2007-2013*

Romania – *Growth Centres*

Scotland (UK) – *Community Planning Partnerships*

Wales (UK) – *Outcome Agreements*

Czech Republic

In the Czech Republic the integrated approach on the local level is applied by the so-called Integrated Urban Development Plans (IUDP). In order to be able to receive funding from the Structural Funds, these plans must be adopted by cities with a population above 20,000 inhabitants and above 50,000 inhabitants to ensure SF eligibility and need to be linked to cities’ own strategies and development plans.

The division – 20 and 50 thousand inhabitants – means there are two types of IUDPs.

- 1) 21 Cities with more than 50 thousand inhabitants apply to 7 Regional Operational Programmes (ROP). A regional programme in this sense means a territorial approach to solving regional problems. The managing authority is an appropriate NUTS II Region. These IUDPs aim at wider development activities in broader urban areas. The supported areas are both deprived areas and areas with high growth potential. Activities are various, relating to transport, environment, tourism, social inclusion etc.
- 2) 41 Cities above 20,000 apply their IUDPs to the Integrated Operational Programme (IOP), which is a national programme. These IUDPs must have specific focus on revitalisation of public areas and deprived housing estates, some social projects supporting social inclusion in certain areas (education, spare time activities, etc.) are also eligible. The managing authority for these IUDPs is the Ministry for Regional Development.

All IUDPs can also cover projects from the sectoral operational programmes aiming at e.g. transport, environment etc. All projects under IUDP are financed by ERDF.

Cities consider this integrated approach to be a very useful tool leading to comprehensive and sustainable development. It supports partnership between the public, private and non-profit sectors, even if there still some obstacles to active participation of the private sector or the public.

From the practical point of view it seems that in “real life” this concept does not work as well as it could have. To a large extent this is due to insufficient preparation for the integrated approach by the state administration at the beginning of the programming period, too short timing for introducing the IUDPs and lack of trust in cities and towns¹. Both the state and the cities still have to learn how to work with this approach. By and large, the sectoral approach still prevails and there is not enough interconnectivity between the programmes. Also, delivery is sometimes difficult, as the cities manage IUDPs, but cannot use the Technical Assistance funds for that.

Insufficient attention to integrated approach by the state is supported by a fact that majority of funds were originally (in 2006) allocated to sectoral programmes. However, it appears now that the regional plans, mostly supporting territorial development, lack funds, while some sectoral programmes do not have enough projects to sufficiently draw their allocations.

Case Study: The Chartered City of Hradec Kralove (100,000 habitants) is the centre of Královéhradecký Region, a part of the Severovýchod (Northeast) NUTS II Region. Two IUDPs, which Hradec submits, are cross sectoral (financed by ROPs, IOP and sectoral programmes), the first concentrating on regeneration and revitalisation of the urban environment, energy efficiency, R&D, education and public administration, the other concentrating on an integrated revitalisation of a housing estate built in the 1980s.

Latvia

As one of the instruments for promoting polycentric development in the 2007-2013 programming period the European Regional Development Fund urban priority “Polycentric development” (hereinafter - urban priority) was introduced, which includes activities aimed at strengthening the potential of cities as driving force of regional development, as well as creation of functional ties with surrounding areas according to an integrated approach to development of cities.

In order for local governments that have been identified as potential beneficiaries to be able to apply for support in the urban priority, they prepared or updated existing development strategies so that they are in line with an integrated approach described in this document: http://www.raplm.gov.lv/uploads/filedir/Regionala%20attistiba/Guidelines_210408_revised_EN.doc.

The Latvian Ministry of Regional Development and Local Government (MoRDLG) together with partners elaborated Guidelines which are methodological recommendations for elaboration of

¹ Some cities mentioned that the concept has not been fully use established in the practice and therefore it does not make use of its whole potential.

integrated development strategies of local governments and which are approved by the Coordination Council.

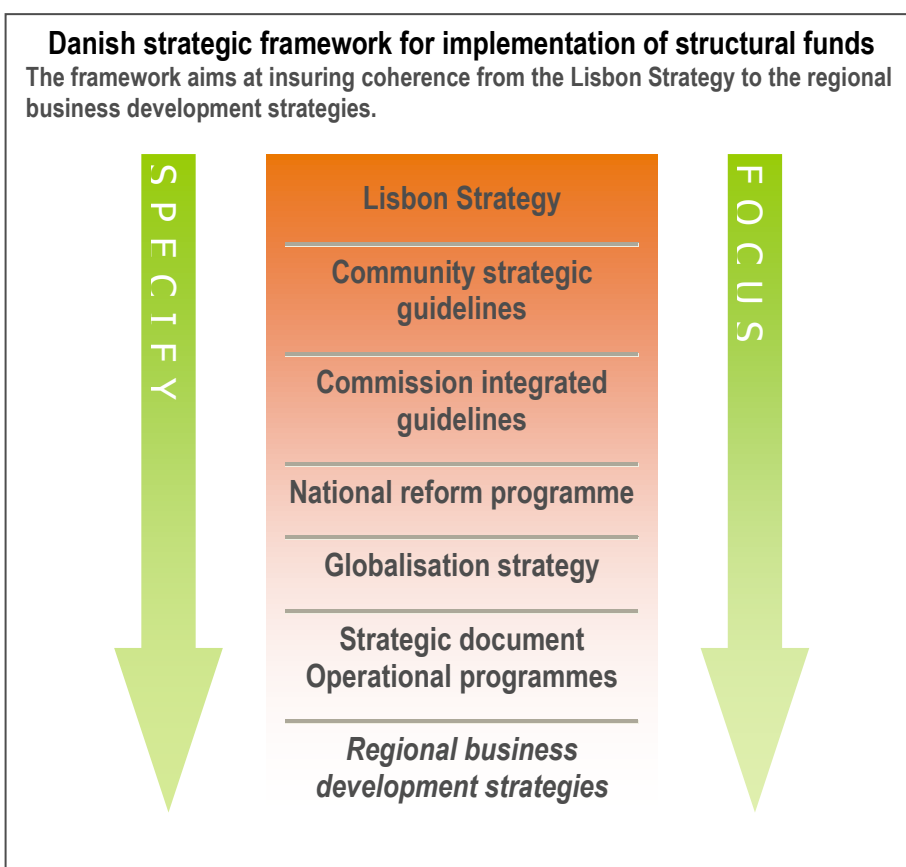
This is certainly a step in the right direction. Looking forward there is a great potential to use integrated local development approach in the overall territory of Latvia, across both urban and rural areas, by increasing the critical mass of funds targeted at local development combining all available EU and national sources.

Latvian Association of Local and Regional Governments has actually advised that in the next programming period the local development plans should be used as a basis for elaboration of the national development plan (including the link to EU funds) since the local authorities are the most aware of the local situations and needs. Thus the integrated approach would be used in development planning.

Another example where certain LDM is applied is the rural development programme, measure "Basic services for economy and inhabitants". These are local government projects with a certain amount of funding for each rural municipality for development of infrastructure in general. The municipality in cooperation with the inhabitants, NGOs and local businesses decides on the needs in the territory which should be financed by the projects. The funds and thus the projects are very small, but this in reality is the only money available exclusively for rural areas. Nevertheless it has been proven that one can achieve a lot implementing small projects, because the activities can be completed faster, and moreover small things can be done cheaper, but with a considerable positive effect,

There is a special territory development index used for the analysis of territorial development by illustrating the differences in the socio-economic development of territories; for comparison of living standards of people, and for identification of the challenges in the area of regional development; to ensure the operation of the state support programs (policy) and EU structural funds: it also is a criteria for financial support for projects; and for monitoring and evaluation of policy by Ministry of Regional Development and Local Governments, Ministry of Economics, Ministry of Agriculture, etc. It is calculated separately for 3 groups: planning regions (NUTS 3); republican cities and municipalities. A separate set of indicators is assigned for determination of the socio-economic development level of every territorial group. Depending on its importance, a definite weight determined by experts, is attributed to every indicator.

Denmark



In Denmark, the Fora for Regional Growth and Business Development (regional growth fora) represent the regional structural funds partnership. Denmark holds 6 of these Fora; one for each region and one for the island of Bornholm. The Growth Fora consist of representatives from industry, knowledge and educational institutions, social partners and *local and regional authorities*.

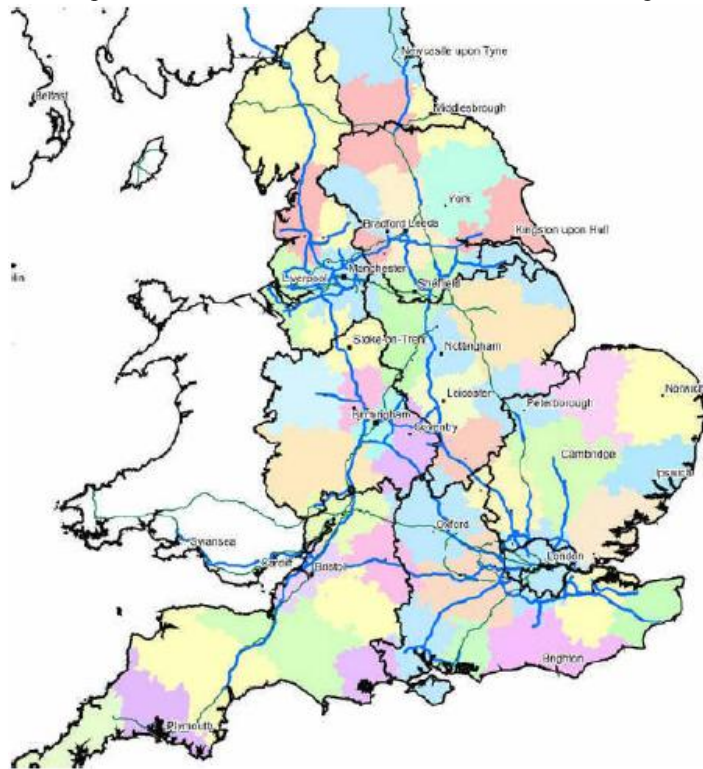
Their three main tasks are to develop a strategy for business development, to monitor the regional and local conditions for growth and finally to recommend co-financing of regional business development initiatives.

In Denmark the structural funds are an important contribution to the implementation of the government's globalisation strategy and the regional business development strategy. Through a partnership agreement each regional growth Forum takes part in the implementation of the globalisation strategy. The Local Development Methodology must be seen as a close cooperation between local and regional authorities.

Within the climate and energy areas the Growth Fora invested roughly € 42 million in 2007 to support more than 25 projects. These projects range from supporting the development of sustainable energy, bio fuel and biomasses to supporting hands-on energy saving projects. Examples of energy saving projects are intelligent energy management in green houses in South Denmark Region whereby energy consumption in test green houses has been cut by 50 percent. Also the municipal climate and energy projects include the Frederikshavn Energycity which aims to create a 100 percent supply of sustainable energy within electricity, heating and transport.

England (UK)

The map shows the 'functional' economic areas of the England – the optimal level at which to introduce local development approaches (see: www.lga.gov.uk/lga/aio/24644 and www.lga.gov.uk/lga/aio/9332221).



In England 'Local Area Agreements' (LAAs) & Multi Area Agreements (MAAs) can be seen as one of the main instruments coordinating local and sub-regional development.

LAAs are a key feature of a more devolved form of local governance. LAAs reject 'one size fits all' solutions because they recognise that not all areas have the same priorities.

Through negotiated agreements, LAAs and MAAs allow areas to channel public resources towards the priorities of their own areas.

The LAA framework has had significant impact over the past five years. It has changed the way in which central government works with local government and its partners. The current set of 152 LAAs covers all local

authority areas in England. Each agreement runs from 2008 to 2011.

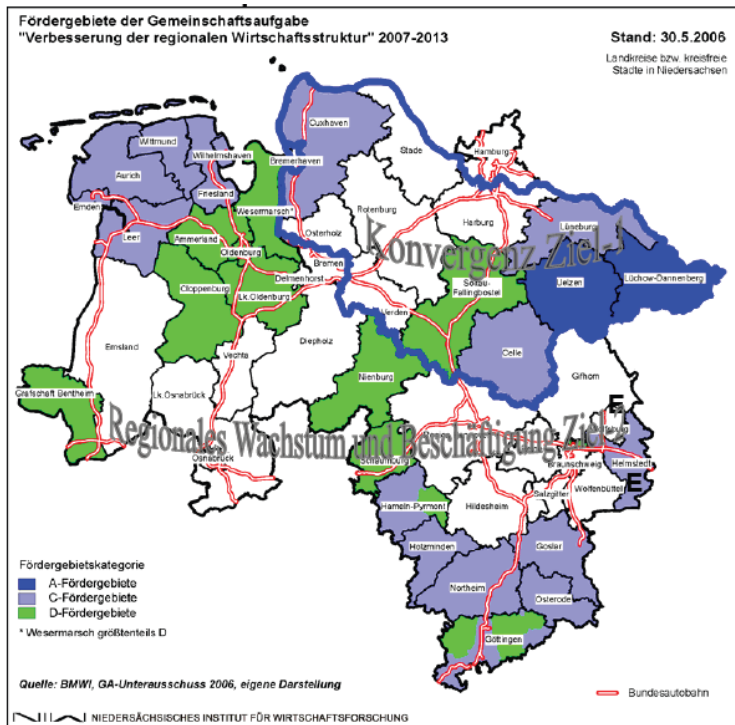
LAAs are negotiated between all the main public sector organisations in the area, including the local authority and central Government. The Local Area Agreements are delivered by Local Strategic Partnerships (LSPs).

These partnerships bring together a range of stakeholders from the public, private and voluntary sectors to agree on core objectives, to 'pool' certain domestic regeneration funds together, and to agree financing priorities for a local area.

At present EU funds are not always well aligned to this process, and thus the contribution they can make to local development is not maximised. However the experience with LAAs and MAAs in England shows that a range of domestic funds *can* be successfully pooled together for the purposes of local development provided an appropriate framework (or methodology) is in place.

Germany

Lower Saxony Regionalisiertes Teilbudget



The operational programme contains a shared management strand. It can be translated as sub-regionalised pro-rata budget (Regionalisiertes Teilbudget). The sub-regions get on the county level 5 million Euro (3,75 millions EU funding, 1,25 millions national funding). This amount can be spent for projects which are deemed as important on the regional level. The projects could target any of the three aims within the ERDF.

The decision about the allocation lies with the sub-region (NUTS II) itself. The managing authority of the Land (NUTS I) has to operate the process but has no authorisation to affect the decision.

The regionalised pro-rata budget also allows SME funding. For small

enterprises a funding rate of 12,5% is possible, for very small ones up to 25%. However, projects of companies from the agriculture and fishing, or energy production sectors, and publicly owned projects or projects carried by the involvement of the public administration are not eligible. There is scope to extend this structure to combine ERDF and EAFRD on local and sub-regional level respectively.

Schleswig-Holstein "AktivRegionen"

"AktivRegionen" is a local authorities association on the sub regional level. It's an organisation, capable of holding rights and representing different partners within the region: municipalities, companies, representatives from civil society etc. It is voluntary to build such an association or to take part in it. The association acts like a local action group concerning the LEADER concept. Each association covers between 50,000 and 100,000 residents.

The associations (an internal "decision board") decide each on a budget of 300,000 Euro EU funding and another 300,000 co-finance funding per year on the basis of a regional development concept. The decision board has to be composed 50/50 by public partners and civil society representatives. Only projects within the second pillar of the CAP are eligible. Projects in Axis three with a value higher than 300,000 Euro have to compete with other projects in Schleswig-Holstein. There is an additional amount of 6 million Euros for these bigger projects of Axis three. From the local perspective there is scope to combine ERDF and EAFRD on local and sub-regional level respectively.

Netherlands



Opportunities for West is an integrated program financed by the ERDF for the western area of the Netherlands. It comprises the territory of the provinces of North Holland, South Holland, Utrecht and Flevoland. Opportunities for West recognizes that additional attention is needed for the specific situation of the four major cities in this part of the country: Amsterdam, The Hague, Rotterdam and Utrecht. This translates into a program-West Region and urban sections of the program for the four cities (subdelegation).

The Management Authority (MA) is responsible for implementation and daily management of the entire program. The MA is hosted by the City of Rotterdam and is supported by the Western Region Program Office which is based in the province of Flevoland.

In assessing projects for the Western Region, the MA is advised by a steering committee in which the four provinces, the four major cities and a representative on behalf of the other cities are represented.

For the four urban parts of the program the College of Aldermen of the cities is designated as Program Authority (PA). As of this city is also a steering committee created to advise the PA on the allocation of grants. Further information is available about the Centres of the eight partners.

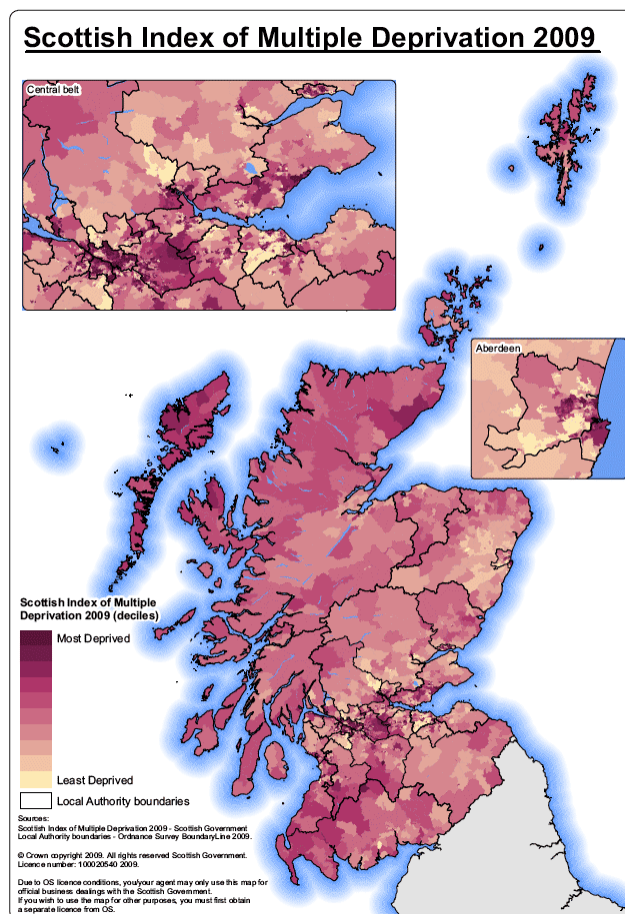
The Monitoring Committee is responsible for supervising the program. This keeps some distance monitor the implementation of the operational program and providing guidance to the strategy. The Committee brings together representatives from the municipalities, provinces and ministry of economic affairs of industry, social partners, research institutions, natural environment and landscape organisations and the European Commission.

Financial Allocation to implement Opportunities for West was 310.6 million Euros from the ERDF is available. These European funds are distributed as follows through four priorities:

- Priority 1. Knowledge Economy, entrepreneurship and innovation 147.7 million
- Priority 2. Attractive regions 53.7 million
- Priority 3. Attractive cities 96.8 million
- Priority 4. Technical Assistance 12.4 million

Scotland (UK)

The best example of local development partnerships at local level in Scotland during this



programming period are the Community Planning Partnerships (CPPs). The CPPs deliver a range of projects across 13 local authority areas in the Lowland and Upland Scotland ESF Programme area (LUPS) and are doing so as a large strategic partnership made up of Councils, Further Education Colleges, Health Boards, the Third Sector and other core partners.

In the current programmes with more limited resources than in previous EU programming periods there was a need to maintain a local responsiveness characteristic but also to use the more limited funds in a more strategic way. Therefore using the Scottish Index of Multiple Deprivation and the Rurality index, part of regional funding was targeted within NUTS II to specific municipalities.

Historically the additionality of Structural Funds interventions has tended to vary inversely with the size and geographic scale of the project. At one end of the spectrum the additionality of national standardised programmes is almost impossible to verify. On the other hand the additionality of CP support to localised partners is usually fairly easy to demonstrate. In general the principle

of additionality is more likely to be respected if the project is developed and financed on a “bottom up” basis. On the other hand the co-finance model risks EU resources merely substituting for national/regional funding streams with neither scalar increase in activity nor policy innovation.

Cohesion policy support been the the “glue” that has cemented partnerships that have come together to pursue EU funding for activities that meet their common priorities. It has also facilitated innovative approaches, particularly in ESF (£38 awarded to 13 CPPs until 2010, and 2.3 in Highlands and Islands, with additional £13.7m been awarded last January). At 31st March 2009 (one year into the model) the CPP projects had supported 26,865 participants – the target for the whole priority over the entire 2007-2013 period being 26,000. Nearly 3,500 of these participants had entered employment against an overall programme target of 8,800. Given the rapidly worsening labour market situation in 2008/09 this is a very creditable performance.

We believe that the CPP model is a case of best practice. An independent evaluation of the CPP approach as a means of channelling Structural Funds was commissioned by the Scottish Government from the consultancy Blake Stevenson in 2009 with very positive conclusions.

Performance arrangements: Each Council and the Scottish Government have jointly signed a Single Outcome Agreement (SOA). It encourages each council and their community planning partners to address 15 key national outcomes, and decide on which local indicators are used to measure their achievement at a local level. Each SOA covers a rolling three year period. Each party to the Agreement (local authority, Scottish Government, and Community Planning Partners) has a shared interest in the delivery of the agreed outcomes, and they will jointly take ownership and responsibility for their respective contributions to these outcomes. Therefore, the parties to the Single Outcome Agreement will be able to measure performance, and crucially, to hold each other to account for the delivery of specific commitments they make to enable the delivery of the agreed outcomes. This is also used in the context of the performance of EU funds.

Romania

The Regional Operational Program (ROP) of Romania financed from FEDER dedicates through one of the priority axes special attention to support cities that influence territorial development at the regional level, since regional economic and social development is influenced directly by the development of big cities which as a matter of fact play the role of centres of growth.

The cities considered as poles of growth are interlinked with the surrounding areas and in particular with the rural areas and the development of those areas depends to a great extent on them. The growth poles identified in Romania are 7 big urban areas: Iasi, Constanta, Ploiesti, Craiova, Timisoara, Cluj-Napoca and Brasov. Bucharest, the capital of Romania has not been included among growth poles since the area surrounding the capital develops naturally without a need for intervention from the structural funds. Basically a regional growth pole was identified for each of Romania's development regions, with the exception of Bucharest-Ilfov region for the reason already explained.

The financial allocation for the 7 growth poles consists of 621.27 Euro from FEDER and national funds for 2007-2013. In order to access the EU funds each growth pole has to develop its own integrated development plan, a comprehensive planning document which serves as a development strategy for the entire area covered by the pole which goes beyond the administrative border of the city itself. The plan is subsequently implemented through an action plan consisting of individual projects. The projects will finance interventions in the development of public infrastructure, development of the business environment and entrepreneurship, facilitate social inclusion, environment and sustainable development. The main challenge was the drafting of the integrated development plans that took much longer time than initially foreseen and this might create difficulties in the implementations of the plans because of the decommitment rules.

Wales (UK)

A new initiative in Wales is Outcome Agreements. Outcome Agreements will provide an outcome focused framework for service planning, resource planning, and performance management, and will give local authorities greater flexibility to concentrate on the areas of greatest local priority. This will mark a step change in the way the Welsh Assembly Government at regional level works with local authorities to drive forward improvements for local people.

To help shape the content, and to inform discussions of Outcome Agreements, a range of intelligence has been collated. This evidence will, among other sources, take the form of Local Area Profiles, which will form part of a new, broader approach to public service performance that will focus on outcomes, rather than on process compliance and monitoring of expenditure.

This new relationship recognises the need for national leadership, as well as the importance of local freedom and flexibility in service delivery, signalling the start of a new era for local and central relations in Wales. It represents a shift towards tangible outcomes, based on delivery that will reduce bureaucracy and central control, in order to free up local authorities and their partners to deliver locally.

The development of Outcome Agreements between the Assembly Government and individual Local Authorities will set out how each will work towards improving outcomes for the local people, within the context of the Government's national priorities.

Outcome Agreements will not replace underlying service planning and performance management arrangements already in place. Rather they provide an outcome based framework and focus, for service planning, resource planning and performance management. This will streamline and strengthen relationships between the Assembly Government and local government, reducing the administrative overhead and giving authorities greater flexibility to focus on the areas of greatest local priority.