ISSN 2183-8992

PUBLIC POLICY PORTUGUESE JOURNAL

Volume 9, Number 1, 2024

Special Issue: **Territorial Instruments and the Future of Cohesion Policy: innovations, experiences and challenges**

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UNIVERSIDADE DE ÉVORA

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Public Policy Portuguese Journal

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Cover Design
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Typesetting
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Publication Information
Public Policy Portuguese Journal is published online by Universidade de Évora and UMPP - Unidade de Monitorização de Políticas Públicas / Public Policy Monitoring Unit, Largo dos Colegiais, 2, 7000-803 Évora, Portugal.

Manuscripts are invited for publication
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ISSN 2183-8992
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Public Policy
Portuguese Journal

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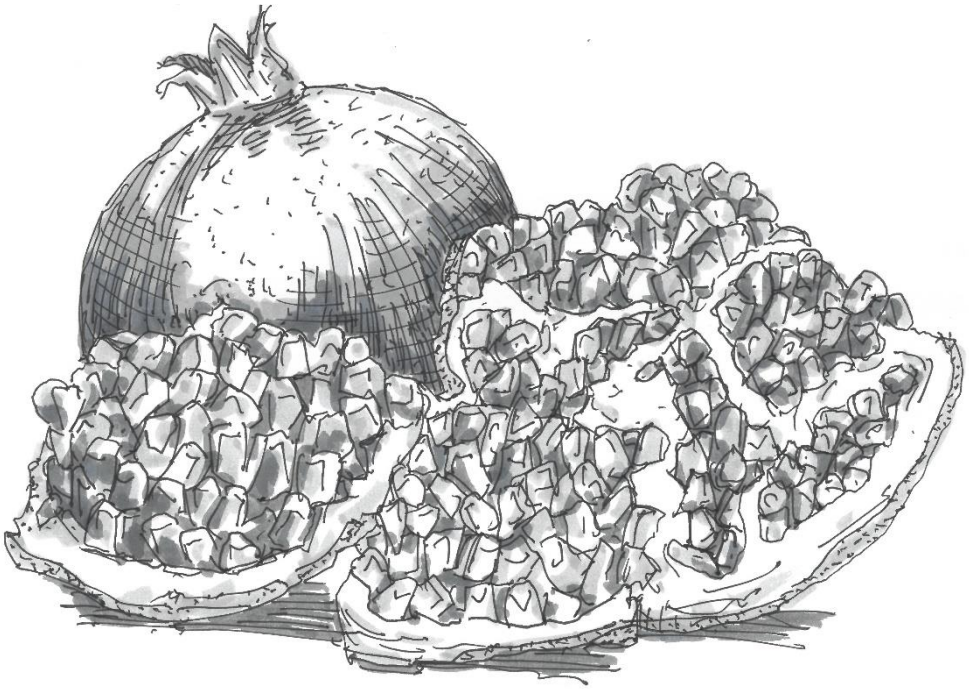
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Editorial

INSTRUMENTOS TERRITORIAIS: COMO USAR UMA ROMÃ



Fonte: Ilustração de Luís Pedro Cruz.

Imagine que pretende combinar todos os insights em torno da política de coesão e os coloca num misturador de políticas, procurando um output com mais resultados. Seria exatamente o mesmo que colocar uma romã num liquidificador, teria seguramente mais sumo, mas a sua qualidade seria substancialmente pior.

Quando abordamos a importância dos instrumentos territoriais e da abordagem place-based, como pretendemos fazer neste special issue do Public Policy Portuguese Journal, temos de recuar aos fundamentos da política de coesão e como esta foi criada, como elemento de compensação pela grande conquista do Mercado único. Muitas vezes menosprezamos a importância vital para as economias nacionais e regionais do Mercado único, bem como a sua associação à Política de Coesão. Esta ligação voltou, de novo, a ser discutida aquando da apresentação do Relatório Letta «Muito mais do que um Mercado», onde os aspetos da inovação e da regulação estão em tensão com as entregas de resultados sociais, económicos e de coesão.

É também importante, numa altura em que falamos do futuro pós-27, situarmos os valores empregues e o fluxograma de decisão no que se refere à política de coesão e à sua distribuição até ao nível regional – Alentejo. O quadro financeiro plurianual deste período 21-27, aprovado pelo Parlamento e adotado pelo Conselho em 17 de dezembro de 2020, prevê um orçamento de 1 074 milhares de milhões de euros, com 330 mil milhões de euros para a Política de Coesão. Posteriormente, os Estados-Membros negoceiam os acordos de parceria com a Comissão Europeia. No caso de Portugal, o acordo de parceria no valor de 23 mil milhões de euros, foi assinado em 14 de julho de 2022. O Programa Regional do Alentejo (Alentejo 2030) foi aprovado no dia 15 de dezembro de 2022, com uma dotação global de 1104 milhões de euros.

Importa também, na introdução desta edição especial, clarificar os conceitos utilizados e defendidos: o que são os instrumentos territoriais e como são aplicados? O que é abordagem place-based e qual a sua utilização na política de coesão? No caso dos instrumentos territoriais podemos socorrer-nos da definição legal de "Estratégias Territoriais", do Regulamento das Disposições Comuns – texto de suporte aos programas da Política de Coesão da União Europeia, que estabelece a operacionalização mediante a delimitação de uma zona de intervenção, uma análise de necessidades, a descrição de uma

abordagem integrada com lista de operações e o modelo de governança e de envolvimento dos parceiros. O Relatório Barca de 2009, "An Agenda for a Reformed Cohesion Policy", trouxe consigo a adoção do termo place-based para a política de coesão, caracterizando o desenvolvimento através da mobilização dos recursos locais, na aposta na governação multinível e nas intervenções adaptadas aos desafios de cada território.

Os quatro artigos desta edição têm a particularidade de tocar nas especificidades de vários níveis de instrumentos territoriais, de programas da união europeia e nacionais, bem como têm o traço distintivo de terem alguma ligação com o Alentejo:

- O artigo de Martin Ferry, Stefan Kah e Irene McMaster, do European Policies Research Centre - University of Strathclyde, aborda de forma muito interessante o papel dos Investimentos Territoriais integrados na Política de Coesão e de, como estes, são um instrumento com largo potencial na sofisticação de políticas a nível europeu. Coloca em ênfase a abordagem e política place-based e mostra, de forma surpreendente, o alinhamento desta linha com os relatórios Letta e Draghi. Estes relatórios que são, de forma geral, apontados à centralização de processos e investimentos, falam também do conhecimento, inovação e coordenação de políticas locais, bem como o reforço de investimentos em domínios da política regional ligadas à provisão de serviços de interesse geral. Irene McMaster acompanhou o Alentejo na linha de boas práticas na montagem de Investimentos Territoriais Integrados, pela sua abordagem conjunta e inovadora com o Algarve no ITI Água e Ecossistemas de Paisagem, sendo perita na avaliação por pares desta abordagem.
- Os autores do Joint Research Centre, Giulia Testori, Anamaria Vrabie e Pier Paolo Saraceno, apresentam um artigo bastante operativo e que demonstra bem a utilidade de construção de ferramentas de apoio aos instrumentos territoriais e à abordagem place-based. As evidências que este documento apresenta no trabalho de avaliação por pares constitui uma excelente inspiração, em domínios como a abordagem estratégica ou o modelo de governação. O Alentejo e Algarve tiveram o seu ITI conjunto, sob revisão por pares, sendo um dos casos apontados no artigo, até pela forma como estas ferramentas melhoraram o resultado da estratégia.
- O trabalho de Raquel Cetra coloca o Alentejo no centro de um território de experiências, cruzando a abordagem de projetos Horizonte Europa e Programas nacionais, como os Bairros Saudáveis. Este contributo reforça o papel do pensamento estratégico regional e de uma visão muito operativa na intervenção local, tendo sempre presente uma visão muito clara e robusta de desenvolvimento regional.
- O artigo de Viktoriya Dozhdeva foi apresentado na 56ª IQ-Net Conference em Évora e transporta um tema transversal de grande utilidade horizontal nas políticas territoriais da União Europeia: “Do No Significant Harm”. Este estudo eleva a discussão sobre a presença de requisitos ambientais nos programas da Política de Coesão e demonstra as fases da sua implementação e acompanhamento. Estamos na presença de um importante referencial de informação na montagem de abordagens territoriais, na implementação de programas e na seleção de operações.

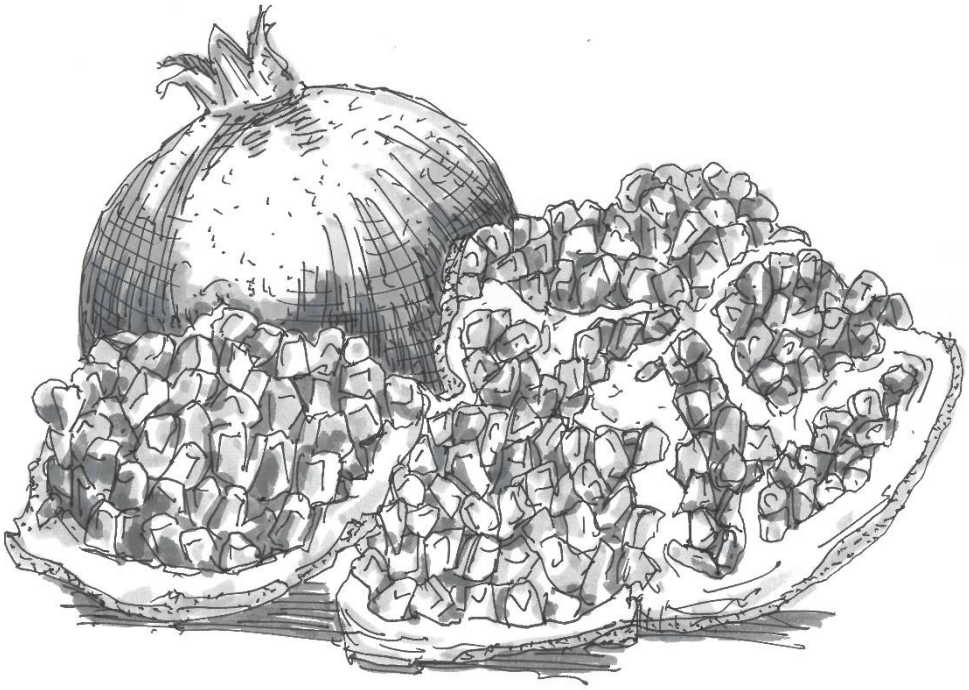
Por fim, esta edição especial fornece o guia de “Como usar uma Romã”, de como podemos tirar o melhor proveito de cada elemento da Política de Coesão, de como podemos valorizar as experiências de base local na construção de projetos transformadores. Mesmo que na presença de ambientes de fragmentação, a unificação de políticas não pode significar o sacrifício do “melhor sumo de cada bago da romã”.

Dezembro 2024.

Tiago Teotónio Pereira
Vogal Executivo da Comissão Diretiva do Programa Regional Alentejo 2030

Editorial

TERRITORIAL INSTRUMENTS: HOW TO USE A POMEGRANATE



Source: Illustration by Luís Pedro Cruz.

Imagine that you want to combine all the insights around cohesion policy and put them in a policy blender, seeking an output with more results. It would be the same as putting a pomegranate in a blender; you would surely have more juice, but its quality would be substantially worse.

When we approach the importance of territorial instruments and the place-based approach, as we intend to do in this special issue of the Public Policy Portuguese Journal, we must go back to the foundations of cohesion policy and how it was created as a compensatory element for the significant achievement of the Single Market. Time and again, we underestimate the vital importance for national and regional economies of the Single Market, as well as its association with Cohesion Policy. This connection has once again been discussed with the presentation of the Letta Report, "Much More Than a Market," where the aspects of innovation and regulation are in tension with the delivery of social, economic, and cohesion results.

It is also important, at a time when we are talking about the post-27 future, to situate the values used and the decision-making flowchart regarding cohesion policy and its distribution down to the regional level - Alentejo. The multiannual financial framework for the period 21-27, approved by Parliament and adopted by the Council on 17 December 2020, provides for a budget of 1 074 billion euros, with 330 billion euros for cohesion policy. Member states then negotiate partnership agreements with the European Commission. In Portugal's case, the partnership agreement, worth 23 billion euros, was signed on 14 July 2022. The Alentejo Regional Programme (Alentejo 2030) was approved on 15 December 2022, with an overall allocation of 1104 million euros.

It is also essential, in the introduction to this special edition, to clarify the concepts used and defended: what are territorial instruments and how are they applied? What is a place-based approach, and what is its utilization in cohesion policy? In the case of territorial instruments, we can refer to the legal definition of "Territorial Strategies" from the Common Provisions Regulation—the support text for the European Union's Cohesion Policy programs—which establishes operationalization via the delimitation of an intervention area, a needs analysis, the description of an integrated approach with a list of operations, and the governance model and involvement of partners. The Barca Report of 2009,

"An Agenda for a Reformed Cohesion Policy," brought the adoption of the term place-based for cohesion policy, characterizing development through the mobilization of local resources, focusing on multilevel governance and interventions tailored to the challenges of each territory.

The four articles in this edition have the particularity of touching on the specificities of various levels of territorial instruments, European Union programs, and national programs, as well as having a distinctive link to Alentejo:

- The article by Martin Ferry, Stefan Kah, and Irene McMaster from the European Policies Research Centre at the University of Strathclyde interestingly discusses the role of Integrated Territorial Investments in Cohesion Policy and how these are an instrument with great potential for the sophistication of policies at the European level. It emphasizes the place-based approach and policy and surprisingly shows the alignment of this line with the Letta and Draghi reports. These reports, generally pointed towards the centralization of processes and investments, also discuss knowledge, innovation, and coordination of local policies, as well as the strengthening of investments in regional policy domains related to the provision of general interest services. Irene McMaster accompanied Alentejo in the line of good practices in setting up Integrated Territorial Investments through its joint and innovative approach with Algarve in the ITI Water and Landscape Ecosystems, being an expert in peer evaluation of this approach.
- The authors from the Joint Research Centre, Giulia Testori, Anamaria Vrabie, and Pier Paolo Saraceno, present a very operational article that clearly demonstrates the usefulness of constructing support tools for territorial instruments and the place-based approach. The evidence this document presents in peer evaluation work serves as excellent inspiration in areas such as strategic approaches or governance models. Alentejo and Algarve had their joint ITI, under peer review, being one of the cases highlighted in the article, particularly for how these tools improved the results of the strategy.
- Raquel Cetra's work places the Alentejo at the centre of a territory of experiences, crossing the approach of Horizon Europe projects and national programmes such as Healthy Neighbourhoods. This contribution reinforces the role of regional strategic thinking and a very operative vision in local intervention, always bearing in mind a very clear and robust vision of regional development.
- Viktoriya Dozhdeva's article was presented at the 56th IQ-Net Conference in Évora and carries a cross-cutting theme of great horizontal utility in the European Union's territorial policies: 'Do No Significant Harm'. This study raises the discussion on the presence of environmental requirements in Cohesion Policy programmes and demonstrates the stages of their implementation and monitoring. This is an important source of information for setting up territorial approaches, implementing programmes and selecting operations.

Finally, this special edition provides a guide to 'How to use a Pomegranate', how we can get the best out of each element of Cohesion Policy, how we can value local grassroots experiences in building transformative projects. Even in fragmented environments, the unification of policies cannot mean sacrificing the 'best juice from each pomegranate berry'.

December 2024.

Tiago Teotónio Pereira
Member of the Board of Managing Authority Alentejo Regional Program 2030

Public Policy Portuguese Journal
2024, Volume 9, Number 1, pp. 10 - 23
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Integrated Territorial Investments – Place-Based Cohesion Policy in Practice?

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ABSTRACT

Regional policy in Europe faces increasingly complex and interrelated barriers to development. The concept of 'place-based' policymaking is currently prominent in academic and practitioner communities as a means of addressing complex and interrelated development challenges facing different territories. This concept espouses initiatives that include an explicit territorial focus, an integrated, multi-sectoral approach to strategic development and a multi-level system of governance that emphasises the contribution of local authorities and local communities. For the 2014-20 programme period, EU Cohesion policy (CP) introduced a range of innovative territorial delivery mechanisms, including Integrated Territorial Investments (ITI), to pursue these place-based organising principles and these are also being implemented in the 2021-27 period. Debate on the future of CP beyond 2027 involves assessment of its territorial coverage, strategic priorities and governance models and experience of implementing these territorial instruments is important in informing discussions. Against this background, this paper considers first how ITIs align with the core principles of a place-based approach and, second, the benefits and challenges they create for CP practitioners. To do so, this paper draws on an extensive academic and policy literature review and longitudinal qualitative research among CP practitioners.

Keywords: Integrated Territorial Investments, Cohesion Policy, Place-based policy.
JEL classification: R58.

1. INTRODUCTION

Regional policy in Europe faces increasingly complex and interrelated barriers to development. Specific territorial impacts of global 'megatrends', including digitalisation and technological change, demographic transition and climate change, are contributory factors to the emergence of 'development traps' that are heterogeneous in nature and not limited to territories with weaker economies (Diemar, A. et al 2022). The concept of 'place-based' policymaking is currently prominent

in academic and practitioner communities as a means of addressing structural challenges in stimulating or reviving growth and capitalising on new development paths. The concept has been applied to analysis of contemporary regional policy systems across Europe. A broad range of regional policy measures can be characterised as place-based, but they share a common conviction that sectoral or space-neutral policies that give little or no consideration to the territorial context risk neglecting place-specific market imperfections or externalities that can have significant spatial implications (McCann, 2023).

For CP, an explicit demonstration of this conviction and espousal of place-based policymaking came with the introduction of a set of territorial development mechanisms as an innovative element of the 2013 reform of Cohesion policy. The Barca Report for reform of Cohesion Policy in 2009 argued for a strengthened focus on area-based interventions with horizontal integration of different sectoral measures. In particular, it highlighted the importance of active participation of local stakeholders in addressing the complex territorial impacts of macro-level socio-economic change. Following on from the Barca Report and linked to new regulatory provisions for European Structural and Investment Funds (ESIF) in 2014-20, a set of new territorial instruments was launched, creating the potential to implement integrated territorial investments (ITI) in different types of territory, including a particular focus on sustainable urban development (SUD) in order to strengthen the resilience of cities and a focus on local community level initiatives through community-led local development (CLLD).

There has been significant uptake of these instruments in the 2014-20 and into the 2021-27 Cohesion policy programme periods, demonstrating the desire of CP programme authorities and local stakeholders to explore the potentials offered. According to the European Commission's STRAT-BOARD tool, there were 1975 territorial instruments in place for 2014-2020 according to the European Commission's STRAT-Board mapping tool. At the same time, there are implementation challenges and costs in designing and implementing these territorial delivery mechanisms. Debate on the future of CP beyond 2027 means that funding, forms, and format of CP are currently subject to substantial scrutiny (EC 2024, Draghi, 2024, Letta, 2024). In the face of ever-increasing demands and development pressures, fundamental questions are being raised in respect of rationales, resources, simplification and streamlining. Alternative delivery methods are under consideration. The launch of substantial new EU instruments and funds, such as the Recovery and Resilience Facility, makes available significant amounts of alternative funding available and offer significantly different organising principles, with place-based considerations less prominent.

As the debate intensifies, it is important to take stock of experience gained in designing and implementing these instruments from a practitioner perspective: to what extent are these instruments 'place-based' and what benefits or challenges to they bring? To do so, this paper focuses on experience of implementing ITI strategies, drawing on an extensive academic and policy literature review to identify key principles of a 'place-based' approach, analysing the extent to which ITI align with these criteria and exploring the value they bring.

A particular challenge with place-based policies is that they are very heterogeneous across geography both in terms of their objectives and implementation, complicating the aggregation of results. Formal assessments are challenging. They need to encompass various dimensions, including economic outcomes, social welfare, environmental sustainability, institutional development and learning behaviour and the overall advancement of the targeted territories. They need to cover geographic areas, which do not necessarily fit with existing, analytical and statistical resources, making monitoring against indicators difficult. Common place-based objectives, such as integration, governance, coordination, wellbeing are not easily defined or related to specific targets (Bachtler, 2010). This means, evaluating progress, gaining a coherent overview of contributions is challenging, due to the variety of approaches used differing geographies and diverse organisational arrangements. Responding to these methodological challenges, the analysis is based on a longitudinal empirical analysis and observation of the application of ITI across Europe, primarily covering the period 2014 to 2020, but also drawing lesson from the 2021-27 period. This involved semi-structured interviews with senior officials from government ministries, regional authorities, and agencies responsible for ITIs in 2018. The work was undertaken as part of the long-running IQ-Net consortium by the author and colleagues at the European Policies Research Centre.[1] This work focussed on the experience of 13

[1] In particular, the following sections draw on work carried out for a study on 'Embedding the Urban Dimension in Cohesion Policy' led by Martin Ferry and Stefan Kah. Ferry M and Kah, S. (2022) Embedding the Urban Dimension in Cohesion Policy, Report to the 52nd IQ-Net Conference, Ghent, 20-22 June 2022

regions and Member States. A series of interviews were carried out in in these government ministries and departments as part of IQ-Net research. Interview data were cross-checked against secondary source information from official reports, and the professional (EU, regional and local development) and academic literatures to triangulate perspectives. The paper begins by reviewing academic and policy literature on the value of place-based approaches and key characteristics/components of place-based policies. This analysis sets up a framework within which to examine operational experience of Integrated Territorial Investments. As well as drawing overall conclusions, the final section of the paper examines their relevance in contemporary debates on the future of CP.

2. Conceptualising Place-Based Policy

Increased emphasis on place-based investment reflects ongoing academic debates and recognised regional development challenges. There is growing evidence that regional development divergence processes are entrenched and require new solutions. Overall, there has been a deceleration in the rate of convergence of the least developed regions in Europe with the EU average and, at the same time, the performance of moderately developed regions has slipped (EC, 2022). These trends are further illustrated by the striking differences in the mobility of regions between different GDP per head categories of development in the pre- and post-crisis periods (EC, 2022). In this context, the concept of the regional 'development trap' is being applied to identify territories in Europe facing significant, structural challenges in their efforts to revive growth (Monfort, 2020) The particular economic, social and demographic structure of a region influences the likelihood of it becoming trapped in its development trajectory. Factors such as sectoral structure, dependency ratios, innovation and R&D capabilities and human capital endowment all play a role. Institutional quality is also emerging increasingly as a critical factor in the danger of regions becoming, and remaining, trapped.

Drawing on new economic geography, new institutionalism and local economic development theories, the concept of place-based policymaking underlines the importance of local socio-economic and institutional contexts and resources in informing investment. According to the 'place-based' rationale, development policies must be sensitive to institutional, legal, geographical, and political heterogeneity across territories and consider endogenous factors that influence innovation and development (Barca, McCann, Rodríguez-Pose, 2012). Space-neutral policies risk neglecting place-specific market imperfections or externalities that can have significant spatial implications (Iammarino, Rodriguez-Pose, Storper, 2017). These arguments emphasise the need to strengthen policy coordination and integration, work at appropriate functional scales; promote innovative financing of investments; adapt governance systems to meet new demands, focus on well-being and quality of life; and recognise the dynamic aspect of these processes (Rodríguez-Pose and Wilkie, 2017). Across the literature, key recurring organising principles of place-based policies relate to their territorial orientation, their support to integrated measures, and their multi-level governance models, see Table 1.

Table 1: Place-based policy principles and description

Place-Based Principles	Characteristics
Territoriality	Place-specific strategies that identify territorial needs and potentials including different types of places, including, e.g. functional urban areas
Integrated investment	Integrated, multisectoral framework involving the provision of different mixes of investment according to territorial specificities
Governance	Multi-level governance structures and includes the incentivisation of local actors to make local decisions and encourage local engagement

Source: Author policy and literature review.

The underlying aim is to maximise distributed development capabilities of each territory, capturing and utilising local knowledge, and creating greater opportunities for the population. The place-based approach acknowledges that different types of places have a different logic: the nature and type of

intervention required varies (Iammarino, Rodriguez-Pose, & Storper, 2017). Across the literature, three organising basic principles are highlighted:

- **A common noted characteristic is the use of place-specific strategies that identify territorial needs and potentials, articulate a vision for development and define objectives and actions based on the interaction of local and general knowledge and the input of endogenous and exogenous actors.** This applies to different types of place, including functional urban areas around large cities (addressing flows of people and resources across administrative boundaries), cities (urban centres themselves display substantial and persistent internal socio-economic disparities) (OECD, 2018b) and more peripheral territories (smaller sized towns, especially those in rural or peripheral areas outside the commuter hinterland of large cities, are increasingly regarded as potential 'anchors' for less urbanised regions) (Medeiros, & Rauhut, 2020).
- **Territorial strategies should create an integrated, multisectoral framework involving the provision of different mixes of investment according to territorial specificities (McCann, 2023).** Investments need to be integrated spatially and functionally, to foster integrated development projects in which resources are targeted at a range of actors across different sectors. This draws together policy domains, breaking down siloes and pooling funding to reduce duplication and address gaps in provision. This can involve incorporating initiatives related to infrastructure investment, social inclusion, service provision, environmental sustainability (McCann, 2021).
- **Place-based measures emphasise the value of multi-level governance structures that inform the optimal territorial mix of resources and investment priorities and achieve necessary coordination.** This involves inputs from different institutional and spatial scales but includes the incentivisation of local actors to make local decisions on the basis of their best local knowledge and local engagement in order to target investment, enhance local capacities for co-design of policies and strengthen local commitment. The role of higher levels is to provide an overarching framework for coordination, to ensure sufficient investment of resources are available and to provide support for local actors (Rodríguez-Pose, & Ketterer, 2019).

Contemporary regional policy systems in Europe have a diverse range of measures that can be included under the place-based heading. They cover different measures accessible for different types of territories and encompassing a wide array of priorities such as research and development, education, housing, urban planning, arts, environment, agriculture etc (Suedekum, 2023). Examples are outlined in Table 2.

TABLE 2: PLACE-BASED POLICY IN PRACTICE

Neighbourhood plans	Neighbourhood plans supporting social and economic development projects (e.g. Pla de Barris, Spain, reducing inequalities targeting specific neighbourhoods).
River basin areas	Sustainable use of and identification with river basins (e.g. 'Neckar Valley Green Corridor', Germany, initiative upgrading industrialised river landscape).
Sustainable mobility	Sustainable Urban Mobility Plans as strategic documents that coordinate transport investment in core city and its metropolitan hinterland (e.g. SUMP for Greater Manchester city region, UK).
Areas facing structural change	Packages of measures to support areas facing specific structural challenges (e.g. Programme for Silesia, Poland; SALK Action Plan in Limburg, Belgium integrating support for innovation, skills, infrastructure development, 'clean air' initiatives etc.
Regional Innovation	Regional Innovation Strategies integrate support for business, education, skills, science and research etc. to identify and respond to territory's long-term and innovation needs.
City deals	Territorial Contracts, City-Deals (e.g. in France, Poland, UK) as agreements between state and local authorities to integrate and territorially target bundles of investments and other incentives, often accompanied by delegated or decentralised implementation responsibilities.

Intermunicipal and territorial cooperation	Inter-municipal cooperation spanning various policy areas, including service provision, economic development in order to achieve economies of scale (e.g. joint municipal committees in Sweden).

Source: author policy and literature review.

3. ITI AS PLACE-BASED POLICY IN PRACTICE

Drawing on these arguments and organising principles, the Barca Report on reform of Cohesion Policy in 2009 called for a strengthened focus on place-based interventions as means to respond to persistent territorial inequalities by addressing place-specific market inefficiencies and mobilising endogenous potential (Barca et al, 2009). The report highlighted the importance of basing investment on three organising principles emphasised in the place-based concept: the use of territorial development strategies to identify local needs and potentials, the provision of different mixes of investment according to territorial specificities; and multi-level governance structures for management and implementation. In this context, traditional 'parcelling' of CP investment to individual authorities was viewed as inadequate for measures trying to capture complex and constantly evolving flows of people and resources across territories. Drawing on the Barca Report, the European Commission launched a series of new territorial delivery mechanisms in 2014-20. These could be implemented in several ways. The regulations defined six types of instruments under the 'territorial delivery mechanism' dimension, see Table 3.

TABLE 3: TYPES OF TERRITORIAL DELIVERY MECHANISM

01: Integrated Territorial Investment (ITI) — Urban	**Integrated Territorial Investments (ITIs) in the area of sustainable urban development (SUD)**, thereby contributing to Art. 7 requirements
02: Other integrated approaches to sustainable urban development (Priority or programme)	**SUD approaches not making use of ITIs**, i.e. implemented either as a separate programme or separate Priority Axis with in an operational programme
03: Integrated Territorial Investment — Other	**ITIs outside of Art. 7 requirements** (i.e. not tied to sustainable urban development)
04: Other integrated approaches to sustainable rural development	**Other territorial approaches**, not using territorial instruments offered by the regulations
05: Other integrated approaches to sustainable urban/rural development	**Other territorial approaches**, not using territorial instruments offered by the regulations but still making use of ERDF funding
06: Community-led Local Development (CLLD) initiatives	**Community-led Local Development (CLLD) initiatives**, including at least ERDF funding and potentially other ESI Funds

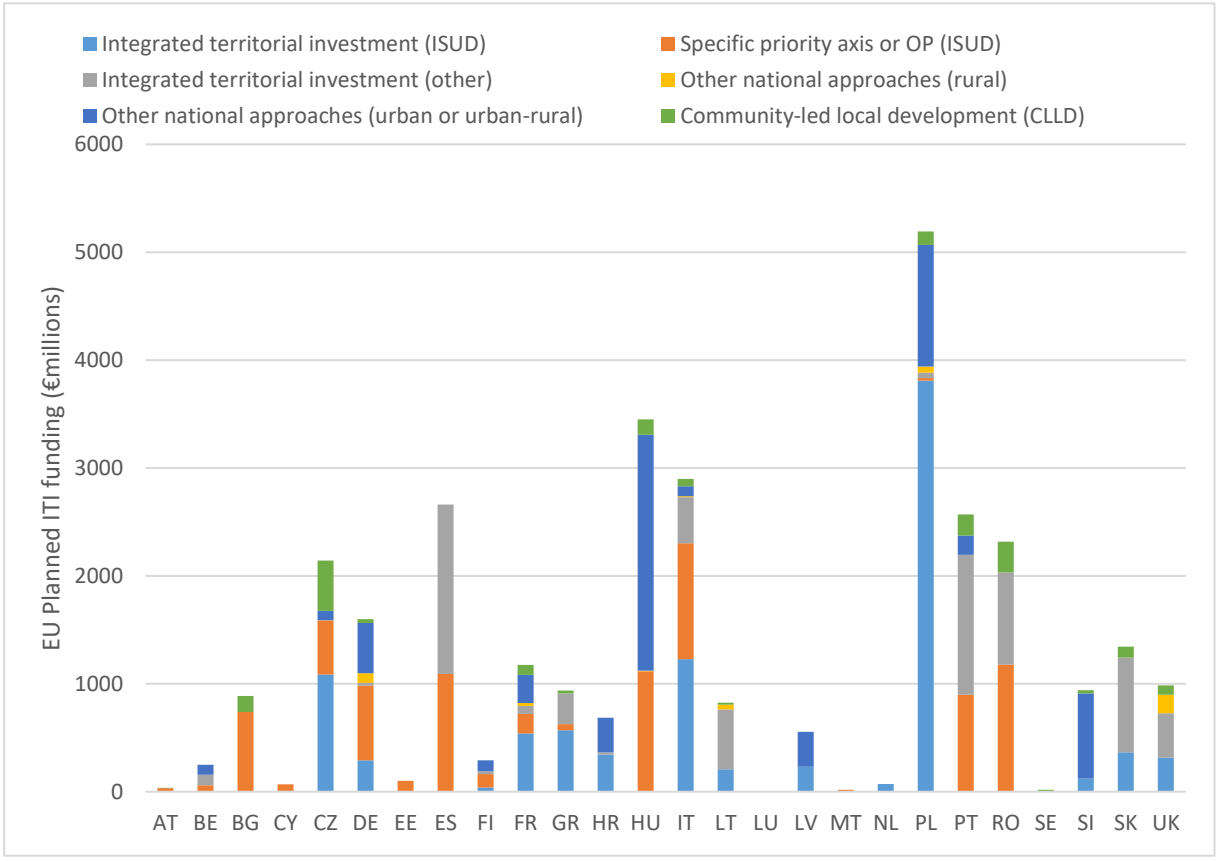
Source: author policy and literature review.

The regulatory framework around territorial instruments contained both voluntary and compulsory elements. The use of any specific territorial instrument was voluntary. However, the allocation of a minimum of 5% ERDF funding for sustainable urban development was compulsory and, related, the use of ITI became strongly linked to sustainable urban development. Article 7 of the ERDF regulation required this minimum threshold to be fulfilled at Member State level. The regulations offered three ways to meet the obligation: the 5% of ERDF funding could be implemented via

- a specific urban OP (SUD OP);
- a dedicated Priority Axis (SUD PrAx) in a specific OP; or
- the new framework of Integrated Territorial Investment (ITI).

There are significant differences in the selection, design and implementation of these different instruments across countries. Variation is related to specific contexts, including: the degree of urbanisation, the level of polycentricity, or the most pressing territorial challenges. It also depends on the extent of devolved competencies, fiscal autonomy and administrative capacities at local level. Figure 1 provides a 'snapshot' of planned use of the different instruments around the mid-way point of the 2014-20 period.

FIGURE 1: PLANNED FUNDING FOR INTEGRATED TERRITORIAL INSTRUMENTS PER MEMBER STATES BROKEN DOWN BY IMPLEMENTATION MECHANISMS (AS OF END 2018)*



Source: EC, ESI Funds Open Data Platform, see https://cohesiondata.ec.europa.eu/

*Note: No total planned data available for DK. No declared data available for IE. Data for TC is excluded from analysis.

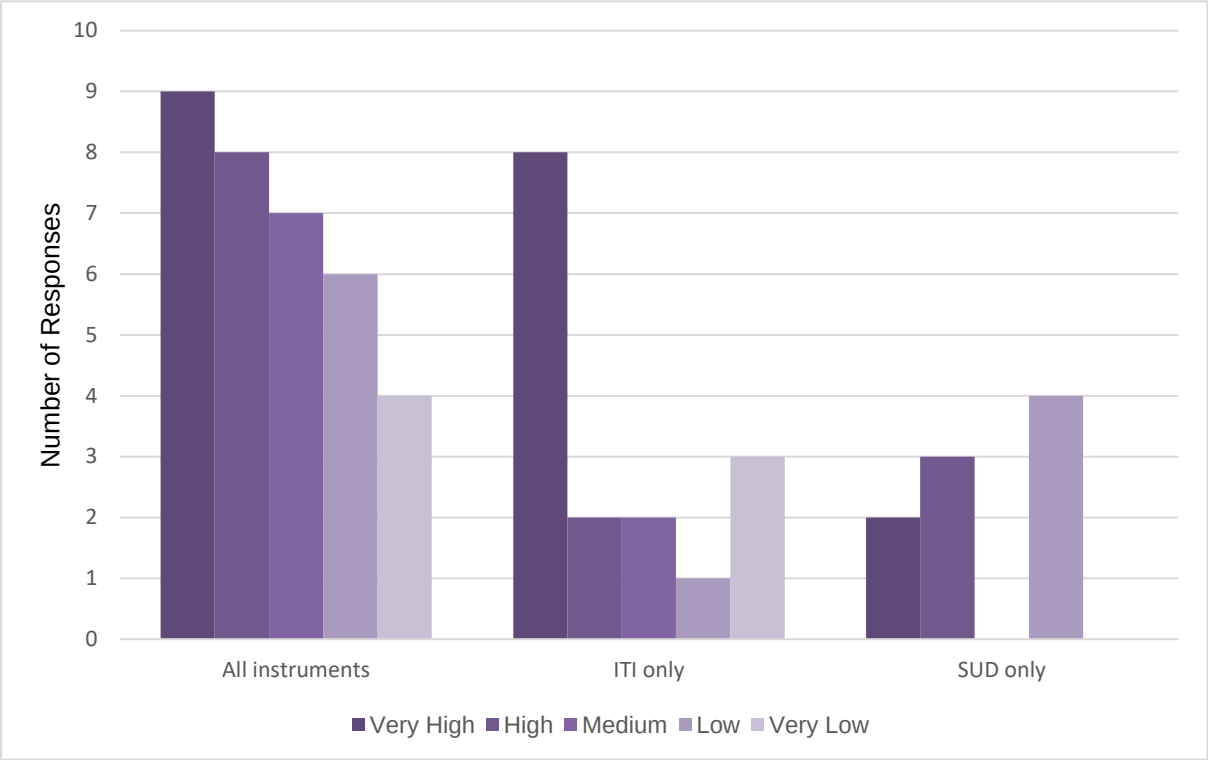
Integrated Territorial Investments (ITI) are of particular note as they are distinct from other mainstream Cohesion policy interventions in a number of ways. First, the territory of an ITI can be any geographical area (urban, urban-rural, sub-regional, inter-regional or cross-border). Second, in contrast to mainstream interventions, ITIs allow Member States to combine funding from several 'Priority Axes' from one or several Operational Programmes (OPs), funded by either European Regional Development Fund (ERDF), European Social Fund (ESF) or Cohesion Fund (CF), and complemented by the European Agricultural Fund for Rural Development (EAFRD) where applicable. Third, local authorities or regional development bodies, either pre-existing or specifically created, may be appointed as Intermediate Bodies to carry out delegated tasks, although CP Managing Authorities have the final responsibility for ITIs. Bearing this variation in mind, the following sections assess the experience of CP programme authorities in designing and implementing ITI strategies in their specific contexts, according to the three place-based organising principles identified in Table 1.

3.1. Territoriality

Evidence from interviewed programme authorities and the strategies themselves shows that these instruments have developed a more nuanced and place-based understanding of functional

relationships. Amongst this group, there was a strong perception of the benefits to be gained from applying a more granular spatial/territorial lens to investment in comparison to national or regional operational programmes (see Figure 2).

FIGURE 2: PERCEIVED IMPACT OF TERRITORIAL INSTRUMENTS ON TERRITORIALITY



Source: IQ-Net research, based on 40 responses by IQ-Net programme managers at national, regional and local level.

Note: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

Different types of area are covered but across cases, authorities recognised the value of spatially targeting investment. Evidence from territories working with ITIs suggest a number of ways in which the territorial dimension has been reinforced. Notably, the focus on functional areas cutting across local administrative boundaries has been highlighted by practitioners (Ferry and Kah, 2022). In Czechia, implementation of ITI is implicitly addressing the challenge of territorial planning in a context of fragmented local administration boundaries. It has prompted an innovative focus on functional urban areas, integrating support for development across core cities and their hinterlands. As well as setting a territorial framework for implementation of ITI projects in 2014-20, it is anticipated that this will provide the basis for broader metropolitan coordination in the future. In Finland, parts of the ERDF funding for urban areas are channelled through a city network, (6Aika) involving the six largest Finnish cities. In Greece, the ITI of West Attica comprises a network of municipalities. Overall, support of functional urban areas has been particularly prominent in EU13 countries, where EU funding allocations are relatively high and where there is often a focus on strengthening policy coverage and administration in metropolitan areas and city-region linkages. There has been more focus on city or neighbourhood levels in EU15 countries where funding is more limited and domestic urban policies are more established. Benefits here include opportunities to directly engage local communities and citizens in small, locally oriented measures. Practitioners also stressed that the process of building a territorial strategy for ITIs has strengthened strategic planning at regional and sub-regional levels, boosted the generation of territorial level data and promoted the participation of territorial stakeholders.

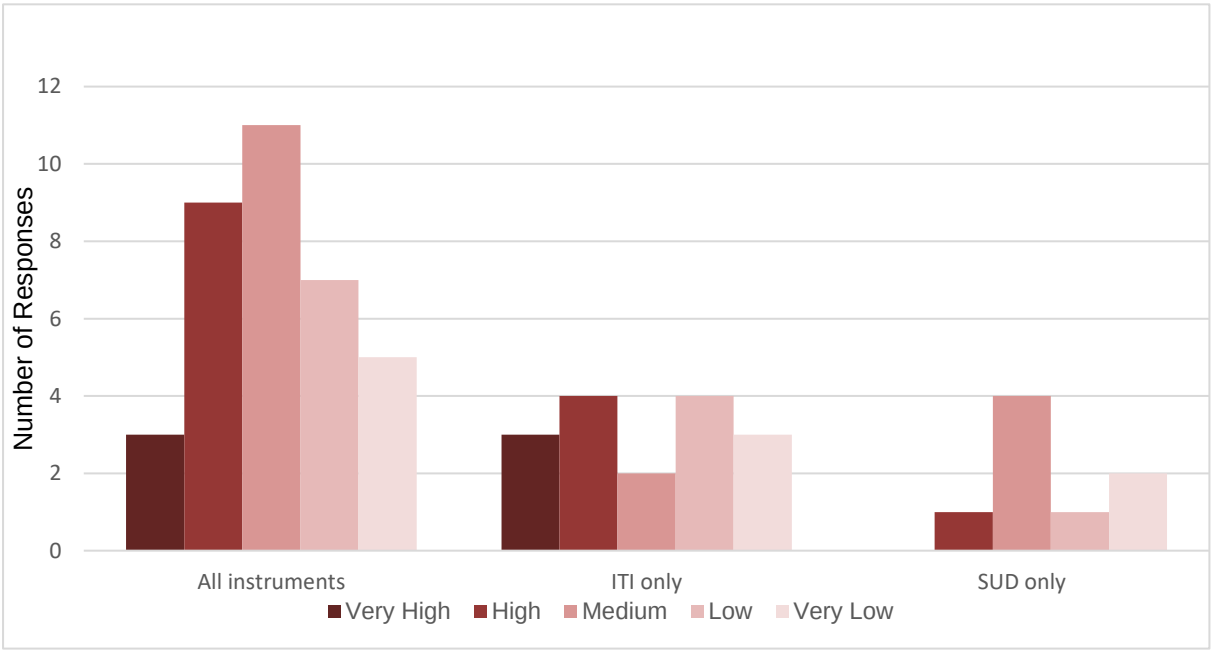
While there are examples of successful application of the territorial dimension of ITI, it has not been without it challenges. Stakeholders note that the definition of ITI territorial coverage can be challenging. In several instances, programme authorities found it difficult to reconcile differences

between functional and administrative boundaries. This has been the case in accommodating Article 7 requirements in negotiating SUD ITIs, where the absence of an administrative level covering the optimal functional area has led to the establishment of several smaller SUD strategies based around individual municipalities. This can undermine impact through the dispersal of funding across territories, put pressure on the administrative capacities of local authorities and complicate coordination efforts by programme authorities. In Czechia, cities delineated the metropolitan coverage of their own ITI strategies based on criteria set by the Czech Ministry of Regional Development. As a result, this approach produced a range of specific approaches that particular metropolitan areas adopted. In Portugal, very broad territorial coverage (105 sustainable urban development strategies) and fragmented administrative boundaries have led to the dispersal of strategies and measures, functional integration and reducing their financial scale.

3.2. Integrated investment

Interviewed practitioners identified value in ITIs as a means to integrate multi-dimensional interventions in a territory, **responding to complex territorial needs**. Providing a 'snapshot' of perceptions in the mid-way point of the 2014-20 period, CP practitioners were asked to rate the perceived impact that the introduction of territorial instruments in 2014-20 had in terms of the integration of policy fields, priorities and projects in ITI strategies (see Figure 3). This shows a less positive perception in comparison to the benefits in terms of territoriality.

FIGURE 3: PERCEIVED IMPACT OF TERRITORIAL INSTRUMENTS ON INTEGRATION



Source: IQ-Net research, based on 40 responses by IQ-Net programme managers at national, regional and local level.
Note: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

The value attached to the principle of integration by practitioners concerned the scope to combine different Cohesion policy programmes and funds in ITIs, allowing strategies to integrate Priority Axes from one or several operational programmes to deliver multi-dimensional and cross-sector interventions. For example, in Poland, ITIs had the potential to draw on priority axes from multi-Fund regional OP (including ERDF for sustainable urban mobility and ESF for skills and social inclusion) and from national programmes, mainly the Infrastructure and Environment OP and the Eastern Poland OP in the field of public transport, heating and housing. Similarly, in the Netherlands, the development of SUD ITIs in Rotterdam and other cities strengthened complementarity between ERDF and ESF OPs. Synergies between support for economic and labour market support were delineated in the development of ITI strategies, allowing ERDF and ESF to work in tandem for the benefit of deprived neighbourhoods. A related benefit of integration identified by authorities was the increased scope for

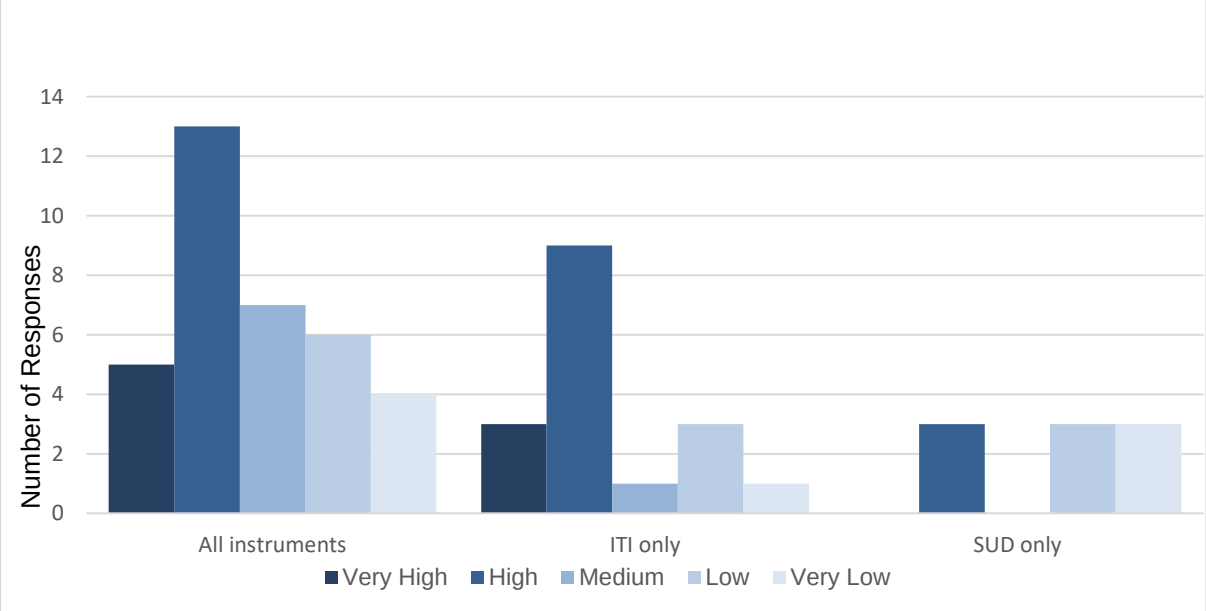
innovation and experimentation resulting from bringing these different fields together. ITIs could encourage experimentation through networking, co-production and co-creation in strategy drafting and project development. Through its integrated territorial model, SUD ITI has supported knowledge exchange and increased the scope for transferability of innovation across urban areas. For instance, this was a basic organising principle in Finland's 6Aika Strategy.

However, the relatively less positive perception of integration benefits among practitioners reflected significant challenges. Securing consensus on what issues to prioritise in ITI strategies was often not straightforward. Aligning locally identified needs and potentials with programme priorities at national or regional levels was often challenging. Stakeholders in ITI strategies, particularly programme authorities, also had to balance the desire to integrate a range of policy fields in a specific territory with CP regulatory requirements for thematic concentration in spending. Member States are required to spend Cohesion policy on issues of high impact and added value. In the Netherlands, reaching thematic concentration targets meant allocating certain amounts from the SUD ITIs to priorities related to climate change, again limiting strategic flexibility. Similarly, in Finland, the thematic concentration requirement was perceived to have limited strategic flexibility under Article 7 strategies and the ability to integrate multiple themes. A related area of tension can be around spending deadlines, with pressure to meet deadlines taking priority over developing more integrated interventions. Implementation of ITI measures in several MS were delayed in comparison to other CP investment in 2014-20 due to slower preparatory phases for strategies and projects as all ideas have to be discussed within a wide range of stakeholders in the territory. Integrating some specific policy fields and funding sources in ITIs proved particularly difficult, due, in part, to differences in ERDF and ESF in terms of regulations, governance arrangements and target beneficiaries. For example, in Finland, the ITI is an opportunity to provide integrated urban support though different funding instruments. However, the challenge has been to link the contents of the ERDF co-financed projects with those co-financed by ESF. ERDF focuses on places, while ESF focuses on people. The implemented projects are separated, but they have a common goal. For example, ERDF and ESF projects can both work towards the cohesion of excluded youth, but the projects address different things.

3.3. Governance Structures and Capacity

In terms of governance, interviewed practitioners noted various ways in which the implementation of territorial instruments can help in developing innovative policy governance approaches and building administrative capacity at different levels and among various actors. Generally, practitioners positively rated the impact that the introduction of ITI strategies had in the area of governance (see Figure 4).

FIGURE 4: PERCEIVED IMPACT OF TERRITORIAL INSTRUMENTS ON GOVERNANCE



Source: IQ-Net research, based on 40 responses by IQ-Net programme managers at national, regional and local level.
Note: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

From the perspective of programme authorities, governance benefits could be identified in several ways. First, they perceived benefits stemming from the increasing role given in the steering of CP investment for regional and local authorities, local communities, NGOs and other sub-national bodies. Practitioners recognised the impact of ITI measures in decentralising or delegating CP governance, supporting 'place-based' investment and the principles of partnership and subsidiarity. The redistribution of management and implementation responsibilities, particularly in response to Art. 7 requirements, meant that authorities had, to varying degrees, co-responsibility with central and regional levels in designing and delivering strategies and operations. In Warmińsko-Mazurskie (Poland), for example, urban authorities became Art. 7 Intermediate Bodies. As these authorities have not previously held substantial Cohesion policy governance responsibilities, the SUD ITI instrument is perceived to have particular significance and potentially long-term added value as a means of building cooperation between regional and urban levels. In Czechia, the involvement of urban authorities in SUD ITI responsibilities prompted a significant change in their relationship with CP. From being solely project applicants, they are now integral parts of the strategic setting for Cohesion policy support, prompting more active participation in assessing local needs and discussing integrated solutions. Similarly, in Greece, involvement in SUD ITI was valued by urban authorities as their first opportunity to become actively involved in planning territorial strategies and projects. In Portugal, governance benefits are recognised in building local leadership and technical capacity in administering EU funding.

Strengthened cooperative approaches was another notable area of progress, in particular new or improved vertical and, especially, horizontal coordination. Implementing ITI strengthened coordination and cooperative dynamics at the local level. ITIs strategies and projects responded to common potentials or risks, addressing fragmentation and rivalry (e.g. between core city municipalities and surrounding areas), pooling financial and administrative resources. A range of formal and informal coordination bodies and platforms have been established for SUD design and delivery. For example, the 6Aika SUD ITI in Finland provided strong incentives for the six largest cities to work closely together. The cities have recently worked together to submit joint packages for the national recovery plan, on economic recovery for businesses, tourism and digitalisation.

Yet, the governance of territorial instruments has created challenges. Authorities faced significant issues in establishing governance arrangements, particularly where authorities had limited experience of these types of instruments (European Parliament 2016, Tosics I, 2017). In some contexts, it was necessary for programme authorities and urban authorities to build the entire model 'from scratch' without the benefit of prior knowledge. For instance, in Warmińsko-Mazurskie, the entire process of developing SUD ITIs has been new and local authorities and their partners had limited experience of the requirements of CP implementation. A specific challenge for ITI implemented as SUD under ERDF Article 7 ensuring that capacities were in place to meet the regulatory requirement of designating authorities and delegating responsibilities to develop strategies and operations. Under Article 7, authorities were required to be designated as Intermediate Bodies for tasks relating, at least, to the ranking and selection of operations and potentially also to verifications with regard to eligibility, administrative capacity and compliance. Most often, the minimum levels of tasks were delegated but even then, administrative challenges have been encountered (e.g. duplication of project assessment and verification processes between programme and urban authorities). Capacity issues were often related to the size of municipalities to whom tasks were delegated and variation in human resources available among implementing bodies and stakeholders. In several MS, smaller municipalities often had difficulties in coping with complex administrative responsibilities (e.g. Czechia, Greece, Portugal). Unfamiliarity with these instruments and perceptions of the associated administrative challenges and potential duplication with other funding sources mean that there have been challenges in mobilising the appropriate range of stakeholders and beneficiaries in territories and a risk of competition or duplication in project calls. In these circumstances, there was a risk of strategies becoming 'municipality-centric', with limited participation from partners outside of the largest local administrations (e.g. other sub-national government units, NGOs, the voluntary sector and the private sector).

6. CONCLUSIONS AND LOOKING TO THE FUTURE

Since the publication of the Barca Report, Cohesion policy's 'place-based' orientation has been argued to play a crucial role in addressing socio-economic processes that have complex territorial impacts. Based on a categorisation of the organising principles of the concept of place-based policy-making, this paper demonstrates that CP-funded territorial delivery mechanisms, including ITI strategies,

introduced in the 2014-20 period provide prominent examples of place-based measures in this respect (see Table 4). Moreover, from the perspective of authorities involved in CP management and implementation, they offer benefits in terms of the potential to design and tailor integrated, place-specific responses. They also provide the scope for practitioners to bring EU investment closer to the people by giving local authorities and their local partners a more prominent role and stake in the process.

TABLE 4: ITI ALIGNMENTS WITH PLACE-BASED PRINCIPLES IN PRACTICE

Place-based principles	Identified benefits	Limits and challenges
Territorial dimension	ITI have driven innovation and change in practice and policy thinking Application of new territorial types Territorial dimension in strategic quality of planning and projects nuanced and place-based understanding of functional relationships	Administrative boundaries versus functional territorial coverage. Fragmented administrative boundaries lead to territorial dispersal of strategies and measures.
Integration	ITI have driven innovation and change in practice and policy thinking Provide explicit frameworks for integrated approaches, drawing together thematic headings within a territorial focus and clarifying the logic of intervening in specific areas Strategic quality of planning and projects, valuable participatory processes of strategy-building, and enables tailored thematic content, the development of synergies and more strategic projects Integrating Funds Synergies between programmes	Different regulations and delivery models for ERDF & ESF (e.g. ITI in NL). Limited strategic flexibility due to thematic concentration requirement. Administrative efforts and time needed to develop integrated strategies and projects against spending deadlines.
Governance	incentivising collaborative governance decentralisation of responsibilities involving representatives of different districts, municipalities, sectors in strategy development.	Capacity challenges limit delegation (especially to smaller municipalities and local partners with limited experience.

Source: author policy and literature review.

However, the research identified some critical perspectives and limitations. Compared to the perceived benefits related to territoriality and governance, the achievement of integration was less evident and was most notable in terms of the combination of strategic objectives in territorial instruments. Integration of funding sources and projects at territorial level was less evident. Key challenges included establishing and agreeing territorial focus/boundaries, overcoming regulatory barriers to policy integration, and addressing asymmetries in administrative capacities, particularly at the local level.

In terms of the debate on the future of CP after 2027, the importance of place-based organising principles is arguably stronger than ever. Global megatrends of digitalisation, demographic transition and climate change all continue to combine to produce complex, place-specific development challenges that demand territorially tailored, integrated responses. The need to draw sub-national, particularly local authorities and communities into CP management and implementation is equally valid for reasons of visibility, accountability and transparency (OECD, 2022). The Draghi report (2024) on future EU spending emphasises the need to focus on competition from other countries, the need to close productivity gaps in emerging technologies and support "consistent with a push towards increasing innovation and completing the Single Market." In many respects this suggests a shift away from ITI-type investments. However, the report also recommends new types of investments in cohesion and a focus on spending on fields such as education, transport, housing, digital connectivity and planning to increase the attractiveness of cities and regions. Similarly, the Letta Report (2024) on

the future of the single market notes the importance of benefits of connecting with other places and working beyond borders (Letta, 2024, p. 93), endogenous resources, and deep knowledge of local areas as a means of avoiding coordination failures and supporting growth (Letta, 2024, p. 94). Most notably the European Commission's High-Level Group Report on the Future of Cohesion Policy stresses the importance of developing a 'truly place and people based policy' and 'ensuring that no place is left behind' (EC 2024). It notes ITI's role as a 'pioneering place-based tool' (EC, 2024, p. 32) and suggests the potential to build on this experience, using more sophisticated regional and territorial diagnosis to better target investments and to closely align interventions and investments with local conditions and European challenges (EC, 2024, p. 32).

Nevertheless, the prospect of reduced funding and a long-running critique of the effectiveness and efficiency of the CP management and implementation model have sharpened arguments for reforms that push against place-based principles, notably in terms of more centralised and streamlined governance. The CP management model is frequently compared to the Recovery and Resilience Facility (RRF) that introduced for the first time an approach making the disbursement of EU funds fully contingent upon the achievement of outputs/results (defined as targets and milestones). The option of mainstreaming this approach to other EU funds in the future, including CP, is part of the post-2027. However, the RRF model lacks the territorial approach of CP and has so far taken limited account of local and regional governments. Far-reaching reforms along these lines could lead to the newer, less established tools being diminished or lost. As Bachtler, Mendez and Downes (2024) note, the Commission's focus remains on a more place-based approach, tailoring intervention to the specific development needs of territories, supporting multilevel governance and the role of subnational authorities, allowing more coherence and synergies. However, embedding these place-based principles in CP and drawing maximum benefits from them requires addressing regulatory complexity, and strengthening local capacity (e.g. through the use of Technical Assistance in municipalities for training, advice, and knowledge exchange.

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Public Policy Portuguese Journal
2024, Volume 9, Number 1, pp. 24 - 34
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www.umpp.uevora.pt

Implementing integrated territorial and local development strategies: Evidence from the territorial peer reviews workshops

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ABSTRACT

The aim of this paper is to contribute to the collective learning process on the implementation of territorial and urban sustainable strategies supported by the cohesion policy. It does so by presenting a systematic collection of evidences and lessons draw upon the perspectives and experiences of local authorities collected during the peer reviews workshops organized by the Joint Research Centre (JRC) and the Directorate-General for Regional and Urban Policy (DG REGIO) in 2023 and 2024. Overall, ten territories in the European Union (EU) were peer-reviewed and more than a hundred participants contributed to the debates.

This article explores some of the main challenges and potential solutions encountered by the strategies' owners, providing lessons and recommendations, following the six building blocks identified by the Handbook of Sustainable Urban Development Strategies (2020) and the Handbook of Territorial and Local Development Strategies (2022): strategic dimension, territorial focus, governance, cross-sectoral integration, funding and finance and monitoring. Such findings are concrete and applicable guidance useful for any EU territory compromised to embrace the integrated and place-based approaches in the strategy's design, implementation or monitoring phase.

Keywords: Cohesion Policy, integrated territorial development, peer review workshop, governance.
JEL classification: R11.

1. THE COHESION POLICY SUPPORT TO EU TERRITORIAL DEVELOPMENT AND INTEGRATED STRATEGIES AND THE CONTRIBUTIONS OF JRC

To effectively introduce the focal point of the paper—namely, the JRC/DG-REGIO peer reviews and the key insights gained from these diverse EU-wide experiences—it is important to first provide an

overview of the Joint Research Centre (JRC) and the key policy context surrounding EU urban and territorial development under the cohesion policy framework.

The JRC is a Directorate-General of the European Commission that provides independent, evidence-based knowledge and science, supporting EU policies to positively impact society. The JRC Unit dedicated to Territorial Development, house of the paper's authors, supports the territorial articulation of the EU policy agenda, its external investment and global outreach. The aim is to deliver world-class science-for-policy support to bring Europe closer to citizens and places, turning territorial diversity as well as urban-rural interactions into value. The unique combination of knowledge builds on data, methods, analytical and modelling tools, as well as extensive links to urban, local, rural, regional, national and international stakeholders, authorities and communities.

Specifically the Territorial development Unit of the JRC focuses on the so called territorial dimension of the EU cohesion policy and how the principle of integrated and place-based approach of the policy are used to foster regional and territorial development. The integrated, place-based approach of the EU's cohesion policy represents a pivotal shift in how regional and territorial development is pursued within the European Union. This shift began in the 2007-2013 programming period, where the Barca Report (Barca 2009) highlighted the need to give stronger attention on the territorial dimension of development, revealing the limitations of previous one-size fit all solutions.

The 2014-2020 period introduced the integrated territorial approach, emphasizing collaboration among governance levels and local stakeholders to harness territorial capital. This shift promoted inclusive, tailored strategies that address local challenges and enhance territorial cohesion. At its core is the principle of "a future for all places," advocating for greater involvement of subnational authorities and citizens and the expanded use of Structural Funds and tools for integrated urban and territorial development.

In the 2021-2027 programming period, the integrated territorial approach has been strengthened as a central element of cohesion policy. A key feature of this period is the introduction of five Policy Objectives (POs), with PO5—"Europe closer to citizens"—specifically targeting sustainable and integrated development in all types of territories, including urban and non-urban areas. This period also sees an increase in mandatory funding allocations per Member State, with the European Regional Development Fund (ERDF) commitment to sustainable urban development strategies rising from 5% to at least 8%. The PO5 emphasizes local and territorial strategies as essential tools to tackle diverse and interconnected challenges —such as social inclusion, environmental sustainability, and economic resilience— promoting approaches that are sensitive to the specific contexts of each territory.

Territorial strategies are implemented through tools like Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD), which combine multiple funding sources into place-based strategies that address territorial needs. These tools are crucial for managing strategies that transcend the urban-rural divide and support a functional area approach, while also empowering local communities, civil society, and stakeholders to actively participate in the design and implementation of development initiatives. This bottom-up approach ensures that local knowledge and preferences are reflected, enhancing the relevance and impact of territorial strategies.

Despite the integrated territorial approach offers a promising way to address local challenges by integrating economic, social, and environmental factors, its success depends on moving beyond the business-as usual way of approaching to local development. Not all local authorities have the necessary administrative capacity, resources, and expertise needed to implement these complex strategies, highlighting the need to strengthen local governance and build capacity for effective, place-based development.

To address these challenges, the JRC, in collaboration with DG-REGIO, the Directorate-General for Regional and Urban Policy, has been actively working to enhance the capacity of local authorities to implement integrated urban and territorial strategies. Key documents produced by the JRC and supported by DG-REGIO, such as the Handbook of Sustainable Urban Development Strategies (Fioretti et al., 2020) and the Handbook of territorial and local development strategies (Pertoldi et al., 2023) aimed to develop methodological support to augment knowledge on how to implement integrated and place-based urban and territorial strategies under cohesion policy. They particularly refer to Sustainable Urban Development (SUD), Integrated Territorial Investment (ITI), Community-Led Local Development (CLLD) and other territorial tools designed by a Member State, as supported by the European Regional Development Fund (ERDF) during the 2014-2020 and 2021-2027 programming periods.

These Handbooks, rather than providing a step-by-step guide to elaborating territorial strategies according to EU regulations and related technical requirements, are designed as policy-learning tools for policy-makers (i.e. Managing and Local Authorities, and all other relevant stakeholders involved in the process). Both Handbooks are structured into six building blocks, which are Strategic Dimension, Territorial Focus, Governance, Cross-Sectoral Integration, Funding and Finance and Monitoring[2]. Each of them are divided into main policy challenges. The challenges have been identified, via a long process of local consultation and validation, as the most important and recurrent ones that policy-makers face in the process of designing and implementing strategies. A mixed array of responses and approaches to these challenges, often supported by concrete examples and useful resources, are given in the chapters.

Other two main outputs at the availability of all stakeholders involved with EU urban and territorial strategies are the SAT4SUD[3] and SAT4TER[4], such acronyms stay for Self-Assessment Tool for Sustainable Urban Development strategies and Self-Assessment Tool for Territorial and Local Development strategies. These online tools, developed by JRC in collaboration with DG REGIO, that users can use anonymously, are intended to be used by Local Authorities and Managing Authorities of EU cohesion funds when verifying to what extent their strategy builds on an integrated and participatory approach. The tools focus on a self-assessment practice as an important learning process and they help to assess the strategy's completeness and quality, from its design and implementation, to its monitoring and evaluation.

2. THE JRC/DG REGIO PEER REVIEW AND THEIR FUNCTIONING

The peer reviews are two-day workshops planned for local authorities in charge of designing and/or implementing a development strategy in urban on non-urban areas under the EU cohesion policy. The aim of the events is for strategy owners to learn from other Local Authorities from across the EU, experts and EU Commission representatives, exchanging challenges that they came across in their planning and operational journey.

Since 2016, the peer reviews have been organized by DG-REGIO and JRC in the context of the Urban Development Network (UDN)[5]. They were initially planned solely for urban strategies (Art.7 of the ERDF regulation of the 2014-2020 programming period) and the methodology used for the workshop was an adaptation of the one developed by the S3 Platform for Smart Specialization Strategies[6] of the JRC. The UDN had promoted peer reviews at EU level (Seville 2016, Ghent 2016 and, Espoo 2017) and at national level for Spain, Greece, Cyprus and Latvia (Cordoba 2016, Barcelona 2016, Athens 2017, Liepaja 2018). This method and concept has been adopted also by other bodies, including the Spanish Federation of Municipalities and Provinces (FAMP), which has organised three regional workshops between 2018 and 2019 for Andalusian cities involved in SUD. In 2021, while the UDN was being integrated to the European Urban Initaitve (EUI)[7], the JRC, always in collaboration with DG-REGIO, has taken over the full organization of an urban peer review for SUD strategies in Vicenza, Italy, and two for territorial (non-urban) strategies, one in Dobříš, Czech Republic, in 2023, and another in Heraklion,

[2] Each building block is explained with more detail in section three of this paper.

[3] https://urban.jrc.ec.europa.eu/strategies/sat4sud/?lng=en

[4] https://urban.jrc.ec.europa.eu/strategies/sat4ter/

[5] The UDN was set out in the ERDF regulation for cohesion policy 2014-2020. Was funded in 2014 by DG-REGIO to represent European cities, city associations, local, regional and national representatives, Commission services, as well as experts and academics in the field of sustainable urban development and innovation. Since 2021 the network forms an integral part of the capacity building activities to be developed under the European Urban Initiative (EUI) (Article 12 of Regulation (EU) 2021/1058 on the European Regional Development Fund and on the Cohesion Fund).

[6] Link to the S3 platform: https://s3platform.jrc.ec.europa.eu/

[7] Under the EUI, the peer review workshops are part of the capacity-building offer for urban authorities that are looking for improving the design and delivery of their SUDs. So far, three workshops have been organised with several other planned for 2024-2025. In addition to the methodological guidance provided by the JRC, as well as the SAT4TER, the EUI has continued to enhance the workshops including identifying a common challenge among the reviewed strategies, as well organising a follow-up online meeting in order to discuss the status of the implementation of the policy suggestions received from peers and prioritized by the city under review. Future research could explore the impact of the workshop for the participating cities, as new data becomes available from the follow-up actions of the participating cities.

Greece, in 2024[8]. The reflections shared in the following sections of this article look particularly at learnings of these last three events.

Before digging into and learning from the challenges rose by the strategies owners who took part to the peer reviews, it is fundamental to briefly explain the main structure of such events. Peer reviews bring together a select number of strategies (generally three of four) and allow officers from the responsible urban/territorial authorities to present what they consider challenging policy questions. The strategies are explained and shared in plenary sessions, while each question is discussed in small groups together with other policy officers from Local Authorities and Managing Authorities, EC representatives and invited experts, all being part of the 'peer' category. This approach creates an environment that facilitates mutual learning and policy exchange on key issues, as well as lessons that authorities commit to implement in the near future.

The previously described two Handbooks and the two self-assessments, designed for urban or non-urban strategies, are key tools to setting the scene and individuate which are the more critical aspects to be shared with the peers. What strategy owners receive from this intensive experience is a tailor-made support, where sharing, exchanging and integrating knowledge, facilitates the integration of expertise and knowledge, focusing on specific issues and practices. These are moreover precious moments to network with like-minded colleagues.

Each event took place in a different EU location and it was chosen after a call for application open to all EU strategies. Among the various criteria taken into account to select the chosen territory that co-hosts the event together with JRC and DG-REGIO, the commitment of the local partners to work for months ahead the event, the accessibility of the place and the availability of infrastructures were taken into account. Being a co-host territory increased the European positioning on the topic of integrated territorial development, as well as work closely with key policy experts from JRC and DG REGIO.

3. STRATEGIES UNDER-REVIEW, CHALLENGES AND THE LEARNINGS BY BUILDING BLOCKS

The three peer reviews gathered a total of ten strategies under-review. Underneath a short description of each of them allows to better understand the following session on the challenges and learnings coming from the peer review workshops.

Vicenza, in northeastern Italy's Veneto region, has 184,065 residents and a thriving economy centred on packaging, jewellery, and furniture. It features 23 UNESCO-listed Palladio buildings, attracting tourists. However, it faces challenges like an aging population, declining birth rates, and rising inequality. The city's €17 million SUD strategy aims to enhance inclusivity, digital transformation, and sustainability through social housing, cultural asset optimization, greener mobility, and improved environmental quality. In the peer review they sought ways to fully implement the Urban Partnership and explore how digital tools could enhance and promote cultural heritage, particularly building on the restoration of Palazzo Chiericati.

Valencia, Spain's third-largest city, has a service-oriented economy with a significant industrial sector. The València 2030 Urban Strategy, aligning with UN goals, aims for sustainable development by emphasizing green spaces and mobility. As a 2024 European Green Capital, Valencia plans 191 actions to tackle environmental and social issues and seeks methods to enhance inter-departmental coordination for strategy implementation considering how the private sector could be involved in financing the city's strategy.

Banská Bystrica, Slovakia, has over 74,000 residents and is dealing with population decline, an aging workforce, and inadequate infrastructure. The city's 2030 strategy, backed by Integrated Territorial Investment, focuses on making the area more appealing for residents and businesses by integrating urban, regional, and national plans, engaging stakeholders in decision-making and investments. Main challenges dealt with how to promote a cultural shift towards open, collaborative governance at various levels, despite limited resources.

Šibenik, a historic Croatian city with over 48,000 residents, is transforming into a cultural tourism destination despite facing population decline and seasonal unemployment. Its 2021-2027 strategy aims for sustainable development through balancing tourism and green growth. The strategy in the

[8] Link to the Territorial peer reviews in non-urban areas: https://urban.jrc.ec.europa.eu/strategies/territorial-peer-reviews-in-non-urban-areas?lng=en

peer review emphasizes intersectoral collaboration and sought how to address funding gaps while ensuring project sustainability.

The Brdy-Vltava LAG, covering 32 municipalities near Prague, focuses on social issues, education, and local development despite a high unemployment rate. Its Community-Led Local Development strategy, with a €3.1 million budget, prioritizes education, care services, and sustainable tourism. In the workshop Dobříš sought how to enhance rural-urban linkages in strategic planning, particularly regarding climate change adaptation; how to identify and integrate national and global territorial development agendas with the CLLD strategy and how to establish a relevant composite indicator to effectively measure strategy outcomes.

Halland, in Southwest Sweden, has almost 175,000 residents, with urban areas thriving while rural regions face economic decline. The CLLD strategy aims to promote entrepreneurship and social sustainability through community engagement. Despite budget cuts, it emphasizes youth involvement and environmental considerations while exploring alternative funding sources and clarifying the strategic focus on rural differentiation. In the workshop, among other, it sought how to clarify its territorial and strategic focus by identifying unique characteristics that differentiate its rural areas.

The Alentejo-Algarve strategy addresses ecological challenges across 17 municipalities, emphasizing integrated water management and community engagement. Building on national commitments, the strategy has generated 125 project proposals worth over €77 million, focusing on R&D, environmental protection, and local collaboration. In the peer review the strategy aimed to understand how to enhance implementation and impact by mobilizing stakeholders and fostering citizen engagement, and to do so through integrated projects addressing the identified challenges collectively rather than through isolated interventions.

The ITI for Emblematic Environmental and Cultural Routes of Crete seeks sustainable development across UNESCO sites by enhancing local appeal and promoting entrepreneurship. Key strategic areas include value-added projects, community mobilization, and effective management. Objectives encompass demographic regeneration, job creation, improved quality of life, and biodiversity protection. The strategy's owners wanted mainly feedback on how to strengthen links between urban and non-contiguous rural or mountainous areas and ensure ongoing stakeholder engagement during the strategy's monitoring and evaluation phases.

Monti Dauni, in northwestern Apulia, consists of 30 municipalities and faces population decline and low tourism. The Integrated Territorial Development Strategy aims to revitalize the rural economy through non-agricultural entrepreneurship, leveraging in the past up to €75.5 million in funding. During the workshop the strategy's owners seeks solutions to the actual limited funding, understanding how to enhance administrative capacity for effective funding management, and gain direct EU support for migration policies and inclusion.

Established in July 2020, the ITI Microregion țara Făgărașului covers over 3,000 km² in Romania, serving more than 146,000 residents. With a €29.1 million budget, it tackles issues like aging, poverty, and unemployment. The strategy aims for a competitive bio-microregion through integrated programs focused on economic development and social services. Main challenges discussed in the peer review were related to how to enhance talent retention and attraction despite limited regional and national funding and how to incorporate insights from European networks into the strategy's implementation and monitoring processes.

Underneath a description of the main challenges and learnings divided by the six building block of the integrated territorial approach.

1. *Strategic dimension:*

The strategic dimension involves a multi-faceted approach to development. It begins by setting clear objectives that address the area's specific needs and potential, ensuring alignment with broader operational programs. These objectives are informed by an understanding of local trends and phenomena within the context of broader social, economic, and environmental transformations, as well as national and international agendas such as the EU Green Deal and UN Sustainable Development Goals. To comply with having a strategic dimension, the strategy also takes into account the capacity of local authorities and stakeholders, identifying areas for capacity building as needed. Furthermore, it incorporates innovative approaches and tools, such as mission-oriented policies and co-design, to enhance the strategic orientation and drive effective implementation.

Reflecting the comprehensive nature of this building block, participating territories have brought forward overarching challenges on how to better define their strategic focus. During the workshop, local authorities exchanged insights on strategic dimension challenges, highlighting the importance of considering all resources available in order to achieve the desired impact. For example, Halland struggled with prioritizing its projects taking into account their strategic and territorial impact. The policy advice received suggested strengthening the advocacy efforts at this stage, as there was a clear mismatch between the large scale of challenges needed to be tackled and the relatively low budget available to do so. In this way, enhancing the strategic dimension would focus on advocacy to local decision makers in the thematic fields covered by the strategy. For the Brdy-Vltava LAG, peers stressed the importance of using the existing background studies that informed the current EU operational programs in order to identify how the local strategy contributes to European and global commitments towards sustainable territorial development. Peer-reviewed strategies also highlighted their challenges in building their strategic capacity. As ITI strategies were only introduced in the 2014–2020 programming period, they still remain a novel policy instrument for many public authorities. Such was the case of the ITI Tara Fagarasului microregion, that identified as one of its core challenges its limited capacity to effectively integrate knowledge from EU networks into the strategy's development and implementation. As such, peers focused on sharing key policy advice on maintaining open direct communication channels with representatives of the European Commission in Brussels and being able to join relevant networkw active at European level. In addition to this, dedicated technical assistance funds available from national level should be clearly identified and used in the overall lifecycle of the ITI to strengthen its strategic capacity. Building a common space for exchanges of experiences, as a way of mutual learning can also strongly contribute to strengthening the strategic capacity of the implementing bodies of the territorial strategies. Such is the example of the Italian National Strategy for Inner Areas (SNAI), the Federation of Inner Areas that facilitates competence upgrading through shared practices and exchanges between Inner Areas that face similar challenges.

2. *Territorial focus:*

Territorial focus is crucial in addressing the development needs, potential, and objectives outlined in the strategy. To achieve this, the strategy area, targeted areas, and population for planned actions should clearly be identified through an evidence-based methodology and partnership-driven approaches. This ensures that the strategy effectively promotes rural-urban linkages in various spatial arrangements, fostering a cohesive and integrated development framework. Furthermore, the strategy area may be defined by considering functional linkages, even if they transcend administrative boundaries, allowing for the possibility of establishing a cross-border territorial strategy if the functional area extends beyond national borders.

Strengthening urban-rural linkages has been a recurrent challenge signalled by the participating territories. For Crete ITI, the policy advice that the territory received, was to begin with single purpose partnerships between local rural and urban authorities and stakeholders. These can be related on a shared concrete issue, as for example sustainable mobility, waste management, mitigation measures of climate change, that can be later extended into multiple-purpose partnerships. In addition, Crete ITI was advised to strengthen its data territorial data collection capacity, in order to improve the evidence-based analysis of the territorial needs and development. In the case of Brdy- Vltava CLLD, peers suggested a stronger leadership to drive the rural-urban linkages in the desired thematic of climate change, with the LAG taking up the role of mediator between all concerned stakeholders, which in the particular case included other neighbouring LAGs, as well as regional and national actors.

The necessity for place-based approaches was also highlighted when discussing Tara Fagarasului ITI's challenge on how to strengthen its attract talent retention and attraction efforts. Peers shared the importance of always considering place-based policies when doing so, as the location of amenities such as available housing stock, kindergartens and schools, as well as leisure time facilities plays a crucial role in the relocation decision of people. The region of Castilla-La Mancha offered the example of rethinking certain public services that have few users, in order to be able to save funds and reinvest them in other areas which require more support. In their case, the public bus system running daily was not matching the needs of the highly dispersed population. Instead, an on-demand system was introduced, with residents booking with one day in advance the bus ride. Depending on requests received, the bus company delivers a personalized route when needed.

3. Governance:

Setting up the governance structure for integrated territorial development is a complex task which faces numerous challenges due to complex governance dynamics and institutional barriers. One major difficulty encountered is the creation of the right institutional structure. Decision-makers face critical choices between formal and informal arrangements, each with its own trade-offs: formal structures can offer clear accountability but may also introduce rigidity, while informal structures may foster collaboration but risk lacking coherence and authority. Another key challenge lies in the division of responsibilities between Managing Authorities and territorial bodies implementing the strategies, often complicated by the need for multi-level and multi-stakeholder integration, promoted by the so-called EU partnership principle[9]. Effective implementation requires a clear definition of roles and tasks beyond the minimum regulatory requirements, ensuring that different government levels and diverse stakeholders, including civil society, are adequately involved. Governance innovation is another area burdened with challenges, as developing new mechanisms such as specific bodies, committees, or working groups, along with contractual arrangements between stakeholders, can enhance strategic coherence but also add layers of bureaucracy and complexity. These mechanisms are vital for fostering collaboration but require significant capacity and trust among participants to function effectively. In this context, creating a truly participative approach that harnesses the collective intelligence of all actors involved, including those outside public administration, remains an ambitious but necessary goal to ensure strategies are truly place-based. Moving beyond mere information-sharing and consultation to genuine co-creation and decision-making processes demands significant shifts in how strategies are governed. This participatory approach, while enriching the strategies with diverse insights, also requires substantial investment in capacity-building, clear communication, and the establishment of trust among all actors involved, making the governance of sustainable urban and territorial strategies particularly challenging.

These complexities although shared manifest differently in urban and non-urban contexts. In urban areas, particularly within metropolitan regions, the main challenge lies in achieving a balanced distribution of power between the major urban centres and the surrounding urban-rural authorities. Effective governance requires mechanisms that ensure cooperation brings tangible benefits to all participating local administrative units, avoiding dominance by larger cities and fostering equitable collaboration across jurisdictions. Meanwhile, in non-urban contexts, governance structures must address the fragmentation of small municipalities with limited administrative capacities. The challenge is heightened by the need to establish effective collaboration in areas with sparse populations and extended territorial coverage.

During the workshops, local authorities exchanged insights on governance challenges and collaboratively explored practical solutions, emphasizing the need for flexible, context-sensitive governance. Alentejo-Algarve, for example, struggled with aligning administrative systems across its ITI framework, which spans two regions with distinct programmes. Peers advised focusing on efficient use of existing advisory groups to streamline governance, reduce bureaucracy, and avoid unnecessary committees. Valencia's issues with intergovernmental cooperation for infrastructure projects further underscored the complexity of integrated governance, especially in the absence of institutionalized metropolitan frameworks. Some suggestions referred in creating informal metropolitan tables and leveraging past successful collaborations to bridge gaps between local and higher government levels.

A recurring theme was the need for a cultural shift in governance, moving from rigid, top-down management to a more open, collaborative approach. Transforming government roles into facilitators and networkers were seen as key strategies to connect diverse stakeholders and align their objectives. Leveraging existing networks, such as Local Action Groups, was highlighted as a way to enhance stakeholder engagement and build capacity, particularly where formal structures fall short. Informal, yet structured, collaborations—like metropolitan tables—can effectively connect local and higher authorities, as shown in Banská Bystrica's efforts to foster a more collaborative municipal culture. In this regards, inter-municipal cooperation has been highlighted in several cases as pivotal, also in achieving the critical mass needed to – for instance - provide essential services to meet local demand in low density areas. A notable example was provided by the "Transport on Request" project in Portugal's Centro region, where a platform mobilizes transport providers to meet local demand, demonstrating how cooperation and service innovation can address specific regional challenges. This

[9] For more info on the Partnership Principle see: https://op.europa.eu/en/publication-detail/-/publication/93c4192d-aa07-43f6-b78e-f1d236b54cb8

collective approach highlights that cultural shifts are as essential as structural adjustments in overcoming governance barriers, demonstrating the complexity value of flexible, participative frameworks in managing integrated territorial development.

4. *Cross sectoral integration:*

Cross-sectoral challenges often arise from a lack of comprehensive planning, specifically when one or more key elements are neglected. These elements include: developing an integrated response that simultaneously addresses economic, social, and environmental dimensions of challenges; identifying and leveraging complementarities and synergies between different actions; fostering cooperation among various departments, agencies, and stakeholders to break down policy silos; and designating responsible bodies and establishing effective coordination mechanisms to ensure successful implementation.

During the workshops, the peer-reviewed territories put forward a range of challenges that signals that every aspect of cross-sectoral integration may be problematic at any given time. For example, by the very nature of integrated projects, they often tackle various thematic (for example housing and climate adaptation, employment and food systems, cultural revitalisation and youth integration), which require mixing funding sources and multi-level governance structures. However, for the organisational departments or local stakeholders implementing them, often remain activities-based, with no overarching medium-term collaboration that is cross departmental or more inclusive with local stakeholders. Another challenge is related to the limited capacity for rethinking the intervention logic of already agreed cross-sectoral projects. This refers on how to integrate newly acquired information during the design and early stages of implementation into later stages of implementation. Weak administrative capacity for nurturing a workplace culture oriented towards interdepartmental collaboration was also identified by workshop participants as a recurring challenge. This reality also signals the need for public sector organisations to revisit whether its operating systems match its size, purpose and nature of challenges tackled.

The policy advices that territories have received from their peers often mix tested actions that worked in a different territorial context with a reframing mindset. For example, in the case of Valencia the challenge on how to achieve inter-departmental collaboration for better delivery of cross-sectoral projects, has been reframed to tackle a change into the overall workplace culture. Tactical steps for achieving this were highlighted by peers and experts such as: identifying and encouraging collaborative leaders, creating a knowledge management process enabled by both apps and in-person events, training and constant monitoring of needs and elements that work or could use improvement. For Vicenza, a cross-sectoral challenge that began on how to better integrate projects around cultural heritage and digitalisation, was reframed to include a more clear focus on cultural heritage as a driver for the local economy, with the use of digital technologies as one of the available tools to achieve it.

Moreover, for Vicenza's challenge connected to cross-sectoral delivery of integrated projects, peers have suggested repurposing an existent tool that served in the early design and implementation stages of the strategy into a mechanism that accompany the entire lifecycle of the strategy. Specifically, the Urban Partnership Table (UPT) that was established to inform the strategic design and investment priorities could also now serve as a means of balancing stakeholder interests during implementation or overall stakeholder engagement. In fact, the key lessons learned related to this challenge by the workshop participants were related to the importance of participation tools in order to learn, as well as create and maintain momentum beyond specific activity delivery.

5. *Funding and finance:*

The funding and finance aspects of integrated territorial and sustainable urban development strategies present several challenges. A significant one is the misalignment between strategic goals and available funding sources. Local authorities often have to adjust their objectives to fit rigid funding rules, leading to possible disconnect between strategies and community needs. Inflexible funding rules, matched with long programming cycles, hinder the ability to adapt to emerging priorities like climate adaptation or urgent social inclusion efforts. Moreover, misaligned funding cycles between EU, national, and local budgets further complicate financial planning, causing often delays, cash flow issues and challenges in synchronizing the implementation of projects, further complicating the strategic management of funds and reducing the efficiency of financial planning.

Local authorities often struggle with pre-financing and co-financing requirements, which pose barriers, especially for smaller municipalities with limited resources, as they lack the upfront capital needed to leverage external funds effectively. In addition, financial instruments like loans and guarantees, though alternatives to grants, require advanced financial literacy that many local governments lack. Many strategies rely heavily on short-term funding that does not cover ongoing operational or maintenance costs, this creates a funding gap once initial investments are made, threatening the long-term impact and viability of projects.

Attracting private sector investment remains challenging, as complex (or small-scale) public-sector-led projects often fail to demonstrate clear returns. Blended finance models, which combine public and private funds, face regulatory barriers, and local authorities often lack the expertise to structure these arrangements effectively. This limits the use of innovative financing solutions and reduces the overall financial ecosystem available for integrated strategies.

Peer-reviews discussion were providing key insights on how to overcome these challenges by promoting a strategic and innovative approach. A key piece of advice was the importance of positioning local institutions, such as Local Action Groups (LAGs), as strategic actors rather than mere funding vehicles. This involves identifying and leveraging unique strengths that differentiate them from other players in the local development landscape. By enhancing their visibility and value, LAGs can attract alternative funding sources, such as EU project funding from Horizon Europe or Interreg, and even develop new income streams by offering specialized services, like managing inter-municipal projects or providing advisory roles for local authorities. This approach was particularly emphasized in Halland where positioning the LAG as a self-sustaining institution was seen as a way to navigate diminishing national support. Another key suggestions was provided for the Monti Dauni strategy, where peers have highligted the importance of exploring innovative financial schemes (also community-led) beyond traditional funding. Approaches like local exchange trading systems, income-sharing agreements, and cooperative housing projects allow communities to generate their own resources, promoting self-sufficiency and long-term sustainability. This not only fosters financial independence but also encourages creative solutions to local challenges.

Building internal administrative capacity emerged as another crucial strategy for addressing funding challenges. Local authorities have to proactively develop their expertise in identifying and managing diverse funding streams. Creating small, dedicated teams within local administrations to focus on innovative funding strategies, as suggested for Banská Bystrica, allows cities to build internal competencies, also by making use of possible knowledge exchange and technical support activities provided by key stakeholders such as the European Investment Bank. This capacity-building also paves the way for engaging the private sector and developing public-private partnerships (PPPs), which – in particular in big urban context – may be essential for diversifying financial portfolios when public funding is limited. Exploring diverse collaboration models, such as PPPs, can be transformative, particularly when public funds fall short. Valencia's approach of identifying specific projects suitable for private investment, such as energy efficiency or urban regeneration, and starting small to build trust with private stakeholders, demonstrates how local authorities can slowly integrate private funding into their broader strategies.

Finally, enhancing transparency in coordinating funding sources was highlighted as essential advice, as it plays a critical role in avoiding fragmentation and ensuring cohesive strategies. Alentejo-Algarve's use of a common IT platform to track projects demonstrates how open communication keeps stakeholders aligned and integrated, preventing incoherent efforts and boosting overall strategic impact.

6. Monitoring:

A robust monitoring system in a sustainable territorial development strategy follows a structured approach, moving from identifying needs, to defining objectives, and finally establishing indicators to measure the desired change. In an ideal scenario, indicators tailored to the specific regions and groups that are being addressed are clearly described, with baseline and target values set for each, as well as the data collection and analysis process. Moreover, monitoring outcomes are disseminated among stakeholders and the general public, fostering transparency and collaboration.

As such, developing a comprehensive monitoring system requires significant resources and bandwidth from stakeholders, which, as revealed by the participants to the peer review workshops, is oftentimes difficult to grant in the early stages of developing a sustainable territorial strategy. Consequently, many

challenges brought forward by the territories, signal the need of developing agile monitoring systems, that can capture better the new insights that occur once implementation has started.

For example, in the case of Šibenik, the policy advice that the territory received, was to begin changing overall the city's culture around monitoring and evaluation process. More importance, and resources, should be given to this stage, in order to truly harness the power of this process for improving policy-making and implementation on a continuous base. Vienna's experience was referenced as a good practice in the field, while Valencia's experience to publish annually its monitoring and evaluation report has also generated positive outcomes for the strategy delivery. In fact, in Valencia, every two years institutional stakeholders and civil society take part in the "Urban Forum" where the implementation of the sustainable development strategy is discussed. The rationale behind Valencia's Urban Forum is exactly to encourage an "adaptive evaluation" style.

An agile monitoring system also entails more agency around how indicators are defined or adapted. For Brdy-Vltava, peers advised that composite indicators should only be considered if stand-alone indicators could not capture the nature of transformations monitored. Simple indicators are usually easier to understand, communicate to citizens, and gather data for. Peers offered varied policy advice to Sibenik's conundrum on how to address indicators that have been pre-defined by Managing Authorities and that are not always well adjusted to the specificity of their territory. On the one hand, to use every opportunity in the process set up by the Managing Authority to flag the issue- from annual progress reports to dedicated consultations. On the other hand, invest in a dedicated evaluation officer, who can keep the momentum are raise the issue continuously, also by reaching out to other local authorities potentially affected.

4. CONCLUSIONS

The contribution discussed the role of a capacity building instruments – specifically, the peer-reviews - offered by the JRC and DG REGIO as part of the EU cohesion policy's support for EU territorial development. Insights were derived from three peer-review workshops organized in the recent years, which focused on ten urban and territorial strategies underpinned by cohesion policy across the EU. These workshops underscored the JRC's commitment to promoting place-based, integrated territorial strategies throughout the EU. The discussions highlighted a comprehensive approach to territorial development and emphasized the crucial role of local authorities, communities, and stakeholders in designing and implementing these strategies to strengthen territorial cohesion. Key insights were shared across six dimensions related to integrated territorial development strategies.

From a strategic point of view, it was confirmed how effective strategies align local development goals with broader national and international agendas. To this extent, emphasizing co-design and mission-oriented approaches was pointed out as a key way to help refining the strategic focus at a multi-scale level and ensure effective implementation. On the other hand, capacity building and advocacy efforts are critical, especially when facing challenges such as limited budgets and competing strategic priorities.

Key learning confirmed that strategies development must be evidence-based and tailored to the specific characteristics of the target area. Strengthen rural-urban linkages was highlighted as a common challenge. From this extend, issue-specific partnerships can be a starting point for more comprehensive collaboration. This also requires enhanced data collection capacities to identify territorial needs accurately. Additionally, cross-border strategies may be necessary when functional linkages transcend administrative boundaries.

From a governance point of view, establishing structures that accommodate multi-level, multi-stakeholder integration is crucial. Formal and informal structures offer distinct advantages, and both need to be considered for effective decision-making. Governance challenges in many case arise from rigid institutional frameworks, fragmentation of authority, and a lack of flexibility. Creating a participative approach, fostering trust, and encouraging inter-municipal cooperation are vital for overcoming these obstacles. On this extent, a cultural shift toward collaboration and network-based governance is essential for fostering integrated territorial development.

As seen from the ten presented strategies under-review, successfully integrating economic, social, and environmental challenges into territorial strategies requires breaking down policy silos. Challenges arise from fragmented approaches and the lack of long-term collaboration across administration departments. A reframing mindset, alongside leadership and collaboration within departments, can help address these issues.

A common challenge is the misalignment between strategic goals and available funding. Inflexible funding rules and long programming cycles limit adaptability. The many experiences under-review confirmed how local authorities often struggle with co-financing requirements, which disproportionately affect smaller municipalities. Developing innovative financial schemes, such as blended finance models and engaging private sector investments, can help address funding gaps. Capacity-building in financial management and transparency in coordinating funding sources are also essential for long-term project sustainability.

Finally, an agile and adaptable monitoring system is crucial for capturing new insights and improving policy implementation. The development of clear, simple indicators tailored to specific regions enhances transparency and citizen engagement. Furthermore, adaptive evaluation processes, as seen in cities like Valencia, promote continuous learning and refinement of strategies, making them more responsive to evolving needs.

The peer reviews confirmed that, overall, integrated territorial development requires a strategic, flexible, and collaborative approach. It involves aligning local objectives with broader agendas, fostering urban-rural partnerships, overcoming governance and financial challenges, and ensuring continuous monitoring and adaptation. These elements collectively support sustainable, place-based development strategies that address the diverse needs of territories.

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Public Policy Portuguese Journal
2024, Volume 9, Number 1, pp. 35 - 44
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www.umpp.uevora.pt

Innovation, sustainability and cooperation in Alentejo: The contributions of the H2020-AURORAL project and the Bairros Saudáveis programme to regional development

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ABSTRACT

The aim of this paper is to analyse the contributions that the H2020-AURORAL project and the Bairros Saudáveis programme have made to the Alentejo region in terms of its development, based on three main vectors: innovation, sustainability, and cooperation, which are common to both. The aim is to analyse these projects and identify their effective actions so that, through these good practices, other regional development initiatives can be outlined in the future using these three vectors.

The H2020-AURORAL project is based on digital innovation, allowing interoperable services from several European countries to be created and used by integrating the region into AURORAL *Midleware*. The region's capacity building is promoted through the implementation of one of the eight pilot regions entitled "Digital services creating critical mass in rural areas of Alentejo" with various use-cases operationalised by the territory in five smart domains: energy, farming, mobility, health, and tourism.

The Bairros Saudáveis programme promotes the active citizenship of organisations and associations by supporting projects with local interventions in partnership with institutions that promote the health, quality of life, and sustainability of the various territorial communities where they are located. Twenty-seven projects were approved and developed in the Alentejo in the first edition.

Through an exhaustive analysis of the available literature, the aim of this discussion is to reveal the significant synergies between the two. To highlight their contributions to more sustainable, innovative, and collaborative territorial development, as well as to demonstrate the importance of promoting greater community involvement in the region and European collaboration in territorial development policies.

Keywords: territorial development policies, cooperation, good practices, innovation, Alentejo.
JEL classification: O10, O22.

1. INTRODUCTION

Territory is one of the essential elements in the constitution of a State, since it is territory with its delineated borders that allows a community to settle and enables the exercise of state sovereignty (Amaral, 1984). Territory has been an evolving, complex concept with several dimensions, which tend to complement each other, as mentioned by (Dias & Seixas, 2020) and which has become central to the planning of public development policies in the European Union and in Portugal.

Alentejo is a Portuguese region characterised by its vast plains, with some higher points. The highest point is the Serra de São Mamede with an altitude of 1027 metres. It has an area of 31,604.90 km2 and a total perimeter of 1,332 km. It is subdivided into four regions: Alentejo Litoral, Alto Alentejo, Alentejo

Central and Baixo Alentejo. This region corresponds to around two thirds of the territory of mainland Portugal and is the largest region in the country. However, it has a low population density (714,552 residents) which has led to many of the region's municipalities being classified as low-density territories, as described in Deliberation no. 31/2023/PL. Although the classification of these municipalities as low-density territories may seem like a 'trap' for them and their development, it can be an opportunity to activate their potential and favour greater territorial cohesion in line with their own characteristics. This development trap, which is a concept common to economics, seeks to explain the low economic or social growth of a given country or region, and in the case of low-density territories, this concept can be applied to the difficulty these territories encounter in promoting their economic, sustainable and social development, since they are limited by the few infrastructures, the difficulty in maintaining the population, the lack or dispersion of important services and the low attractiveness for companies to settle.

Since the 1990s, with the launch of the Linking Actions for the Development of the Rural Economy (LEADER) programme, which offered support for projects that promoted the development of the various European rural regions, enabling a response to their needs, it has made it possible to change the planning paradigm of many public policies, as they began to be thought of with a 'territorial, multisectoral and integrated approach.' (Santos, Serrano, & Neto, 2015, p. 5034). This programme was one of the pioneers in the adoption of place-based policies in the European Union, seeking to work on a wide range of factors in low-density territories, such as entrepreneurial capacity, innovation and economic growth, among others.

This type of territorial policy makes it possible to benefit and economically develop the territories where they are implemented, since they are designed in accordance with their own needs and their capital: "that is distinct from that of other areas and is determined by many factors that have been successively highlighted by various theories. These factors may include the area's geographical location, size, factor of production endowment, climate, traditions, natural resources, quality of life or the agglomeration economies provided by its cities…" (OCDE, 2001, p. 15).

This type of approach allows for the creation and implementation of heterogeneous public policies, given the diversity of local assets and territorial capital, but with the possibility of knowledge exchanges or partnerships with other territories and regions, requiring fundamental work from the various local and regional actors to achieve the expected potential, allowing for significant advances in territorial cohesion (Matos, 2013). In line with the very favourable assessment of this type of public policy and the summary of its benefits demonstrated in recent years, the most recent report on territorial cohesion highlights the importance of maintaining this territorial approach and continuous learning through lessons learned, both now and in the future, in the design of the programming model (European Union, 2024).

It is from this approach to territorial development that the H2020-AURORAL project and the Bairros Saudáveis programme, which are the subject of this scientific article, have emerged in Alentejo region. Transversely, both have a territorial focus adapted to the region's capital and with solutions designed to meet local needs in the target territories.

Using a review of the existing literature on both programmes and a critical assessment of their results and deliverables, it will be possible to demonstrate the importance of place-based policies for regional development in Alentejo, as well as understanding the contributions of the main practices developed by both case studies, aimed at regional development with the three main pillars: innovation, sustainability and cooperation in rural areas.

The aim is also to analyse existing cooperation at national and international level, seeking to understand the importance of the region's position in broader cooperation networks and to identify lessons learned and challenges, so that the vision of each of the case studies allows for a more comprehensive understanding of their effectiveness in regional development and possible replicability in other rural areas.

2. THE H2020-AURORAL PROJECT

The H2020-Architecture for Unified Regional and Open digital ecosystems for Smart Communities and wider Rural Areas Large scale application (AURORAL) project began in January 2021 and runs for four years. This project is funded under the EU's Horizon 2020 framework programme, which is primarily based on research and innovation. Its main objectives are scientific excellence, industrial leadership and responding to societal challenges (Parlamento Europeu, 2013).

With the end of Horizon 2020, which ran from 2014 to 2020, it was succeeded by Horizon Europe, which will run from 2021 to 2027 and was part of a strategy to position the European Union as a bloc of promising economies in the technological and scientific areas. Horizon 2020 complemented the various Programmes - Research and Technological Development Framework, as well as being the natural response to the Europe 2020 Strategy. The Horizon funding programme has proven to be the European Union's most important research and innovation funding programme, enabling the European Union's competitiveness to be strengthened through scientific progress, innovation and collaboration between European countries and other international partners, with a current budget of 95.5 billion euros for the most recent programming period and aimed at research and innovation in areas such as health, the environment, energy, digital innovation and mobility.

The main objective of the H2020-AURORAL project is to foster co-operation to increase the connectivity of rural areas. Increasing the connectivity of European rural areas enables them to create/possess a digital environment. This digital environment integrates service platforms and smart objects that can be interoperable with each other, making interoperability and communication between platforms and services an asset for all members and possible stakeholders. Through this digital environment, it is assumed that strong changes could occur in the dynamics of innovation and sustainability in the various rural areas.

The main objectives of the project are economic growth, job creation, an increase in the capacity and digital literacy of rural areas, increased connectivity and digitalisation and developing the potential of these rural areas, using all their capital to implement public policies.

The co-operation of 30 partners culminates in eight large pilot regions: Alentejo, Hålogaland (Health and Tourism), Lapland, Penedés, Piedmont, Southern Burgenland and Västerbotten. The various pilot regions focus on one or more of the big five domains (health, agriculture, energy, mobility and tourism), which have very flexible and heterogeneous applications, which is favoured by the open architecture based on APIs contributing to the creation of Smart Communities.

Each of these pilot regions constitutes a new Intelligent Community specialising in one or more areas, with responses designed to the needs identified in the project design phase, which turn out to be problems common to other rural areas.

The Hålogaland pilot region is working on health and tourism. Health is a special area due to its capital, as the region has an orography characterised by extensive mountains and many scattered villages without much access. So, they thought of the 'SafeSEARCH' solution to help with rescue and salvage in emergency or crisis situations. As for the pilot region, still in Hålogaland, which will be working in the field of tourism (Narvik and Harstad), they are looking to use digital platforms and a range of services and intelligent objects in tourism and mobility, so that they can produce digital storytelling services for the different tourist attractions in the area, also allowing for integrated management, as well as improving the quality of mobility to access them.

At Lapland, the big area to work on is mobility, both for people and goods. By promoting smart mobility and smart logistics, it seeks to provide food through the 'VASTE' collaboration platform and has created a digital application for transporting schoolchildren with special needs called 'KOULUKYYTI', allowing the children's journey to be optimised and made safer.

In the Penedès region, it is focussing on energy, making it possible for its wine-growing activity to use pruning waste to promote its energy recovery and the creation of new companies that can help use biomass as an energy source, using the advantages of the Internet of Things.

In the Piedmont region, specifically in Cervasca, the area they are working on is intelligent agriculture. Recognising the importance of the agricultural sector in these various rural areas, this pilot region is promoting precision livestock farming. With an integrated system for evaluating the data collected by sensors in real time from both the cattle and the dairy, it promotes greater profitability, quality, animal welfare and even greater efficiency and sustainability in energy consumption. In addition to agriculture, it also promotes a small focus on tourism, as it has installed an electric bicycle charging station and promotes visits to the farm and other ecological tourist sites.

The Southern Burgenland region is working on tourism, mobility and energy. In an integrated and interoperable way, AURORAL is investing in providing public services to citizens that can be integrated by municipalities. To this end, they have invested in creating a one-stop shop for tourism with information, tours, experiences and even information on mobility. In addition, they want an energy community that can cover both tourism and mobility. In the case of mobility, the focus is on digitising existing solutions and promoting on-demand micro mobility and car sharing. The focus on public services is above all on providing information, services and e-governance.

The Västerbotten region has a predominant focus on smart energy. The pilot region is developing an open digital ecosystem for energy retrofitting. This will make it easier for the end user to benchmark the energy renovation of buildings.

The Alentejo region is working on the five smart domains of AURORAL. Working in these five domains will make it possible to create innovative, cross-sector services to empower communities, making them smarter and more interconnected, responding to some of the region's problems such as increasing business investment in the region, retaining skilled labour, demographic growth and improving the services offered to residents. This pilot region is divided into seven use-cases. These are divided into different locations in the four subdivisions of Alentejo.

In Portel, the focus is on health, trying to promote healthy ageing through remote medical monitoring, as well as homes, where energy efficiency is also promoted. In Reguengos de Monsaraz, Vendas Novas and Odemira, the focus in the field of mobility is on offering new mobility solutions as a service for residents and tourists. In Arronches and Portalegre, energy is the area most at work, seeking to make public resources more efficient by monitoring the energy and water consumption of various public buildings, as well as monitoring waste. In Odemira, in addition to mobility, the creation of a Net Zero Energy Community is being promoted. By opting for digitalisation, the public lighting network can be made more efficient, public water consumption more efficient, waste collection more optimised, so that the net environmental footprint is zero. The field of smart tourism is being worked on in an integrated way with various tour operators and hotels, promoting a single platform with the possibility of choosing accommodation, experiences, events and mobility. In addition to this, there are the artistic residences in São Pedro do Corval, which combine handicrafts and the whole pottery experience with learning, tourism, mobility and the energy efficiency of spaces. The Mitra Pole, part of the University of Évora, is working on the last intelligent area in this context, which is intelligent agriculture. Through the collection of information by diffuse sensors, it enables agriculture to become more efficient and its management to be based on real data.

2.1. The AURORAL contribution to boosting innovation in Alentejo

Rural areas make up around three-quarters of the European Union's territory, which is why attention to them has been quite prominent, since these rural areas, in comparison to urban areas, show major differences in terms of productivity, demographics, wages and so on. Innovation plays a major role in addressing these disparities. In line with the concept set out in the *Livro Verde da Inovação* (1996), it is innovation that makes it possible to achieve favourable solutions to various individual and collective needs, which allows countries to accelerate their growth and competitiveness curve.

The report A visão a longo prazo para as zonas rurais da UE: *resultados principais e vias a seguir* (2024) emphasises the importance of innovation in increasing the resilience and prosperity of rural areas, which is also one of the areas with very positive results highlighted in the Alentejo Regional Strategy (2020), in terms of Structural Fund intervention in the region.

The H2020-AURORAL project is one of the projects that has strengthened research and innovation in the region, since in addition to the development of the pilot region, the opening of Open Calls, the atmosphere of co-operation and the transfer of knowledge between various rural areas, contribute significantly to the design of new regional strategies.

Alentejo, like all the other pilot regions, has several structural constraints on regional development that extend to other rural areas, such as depopulation, demographic recession, a lack of qualified and available labour, pressure on land, the dispersion of urban centres and the insufficient coverage and quality of the transport network (). However, despite these being widely recognised constraints, the innovation of AURORAL's solutions makes it possible to explore them together with the opportunities and potential of each one to create a digitalised and innovative rural ecosystem. Many of the opportunities and potentials, as well as the constraints, are very similar, as these types of rural areas have a great sense of community, which makes for great co-operation. In addition, there is a multifunctionality to the various economic activities in rural areas, since despite the predominance of agriculture, it ends up having links with other economic activities such as tourism, commerce and services.

By taking part in the project, the Alentejo will be able to use the AURORAL infrastructure, widely known as AURORAL Middleware, to access a diverse set of services and technologies that are interoperable and that provide broader solutions that meet the problems of its rural communities. This particular focus on solving problems and meeting the needs of rural communities is an innovation of this project, since it aims to bring digital innovation solutions to rural areas, particularly in the Alentejo, to reduce

the digital divide and seek greater territorial cohesion. The opening and promotion of Open Calls for the development of new Complementary Services and new Smart Communities will further broaden the range of solutions and increase the different possibilities for acting in the most diverse areas identified in the Alentejo Protocol, a reference document and common vision for the future of Smart Communities.

The participation of the region and the possibility of replicating AURORAL's solutions in other communities in the region allows it to continue creating smart communities, where in addition to reducing the digital divide between rural and urban areas, it promotes solutions that benefit more citizens and increases their connectivity, demonstrating that its innovation is not only digital, technological and interoperable, but also inclusive.

2.2. The AURORAL contribution to sustainability

Climate change, with its many harmful consequences, which are expected to worsen in the coming years, is leading to a rethink of strategies and the implementation of public policies and projects to mitigate it, where projects such as H2020-AURORAL are key.

Alentejo is expected to experience an increase in its maximum, average and minimum temperatures, a decrease in rainfall and an increase in periods of drought (Comissão de Coordenação e Desenvolvimento Regional do Alentejo, I.P, 2024). All these projections have a significant impact on various social, economic and health areas for the region's residents. In addition to the Alentejo Regional Strategy (2020) seeking to emphasise the importance of the territory's sustainability in conjunction with its resilience, it makes this one of the strategic challenges to be adopted in the new programming period for EU and investment funds. As such, sustainability is one of the areas within the action plans that is guided by the territory, natural heritage and climate action, promoting the sustainable and efficient use of natural resources, making it possible to increase efforts to promote a sustainable and circular bioeconomy in the region, continuing to respond to the various needs of the territory and continuing to valorise its territorial capital.

The H2020-AURORAL project can make a significant contribution to promoting a more sustainable and circular economy in the region, since reducing the digital divide between the rural areas of the Alentejo and the urban areas, initially using only the use-cases developed in the pilot and later in others, can offer new opportunities for the local population. The technological innovations and interoperability offered by AURORAL Middleware enable the population to settle down, since connectivity allows needs to be met.

In addition, climate change is jeopardising the Alentejo's main economic activity - agriculture. The consequences of climate change for agriculture are quite damaging, as increased periods of drought and reduced rainfall affect the type and productivity of crops and put increased pressure on the soil, leading to soil erosion. In addition, food is more prone to pests and diseases, which not only puts it at risk, but also the people who eat it. AURORAL is promoting the digitalisation of agriculture, making it 'smart', and the Alentejo is one of those benefiting from a use-case where: "Diffused cloud-controlled sensors collecting and processing unique information allows a more efficient, data driven farming. The demo promotes digitalisation as a game changer in boosting resilience to climate change and productivity in Alentejan agricultural sectors" (H2020-AURORAL, 2024). In this way, AURORAL's innovations in this field contribute to a commitment to precision agriculture and the call to use natural resources more efficiently. Investing in precision farming with a more digital approach helps to reduce the environmental impact of agricultural production and therefore makes it more sustainable.

The use-case dedicated to mobility, which states: 'New Mobility-as-a-Service solutions for residents and tourists, complementing the existing network' (H2020-AURORAL, 2024) contributes to the sustainability of the region, as it seeks to make transport more efficient, improving accessibility to territories, while at the same time reducing greenhouse gases. This use-case is also allied to more sustainable tourism, since routes and mobility as a service are not available to residents or tourists. Combined with this factor, the fact that the region's natural and cultural resources are preserved, as well as having an integrated management system with various activities, allows tourists to be guided towards more conscious and sustainable practices when they visit the region.

The importance of energy monitoring and the search for its efficiency seeks greater energy sustainability. The two use-cases in Alentejo seek to achieve energy efficiency and sustainability in the community and in public buildings, allowing knowledge to promote new practices and the search for new, more sustainable energy sources, gradually reducing the use of fossil fuels.

In addition to the various use-cases and digital services being geared towards regional sustainability, the Alentejo pilot also benefits from new practices in business models, benefiting the circular economy, allowing the region to see its economic dynamics strengthened and enabling new, more productive, efficient and sustainable chains.

2.3. The importance of co-operation

The entire AURORAL ecosystem is based on interoperability, with co-operation between partners and countries as a fundamental pillar to achieve its main objectives. Co-operation is fundamental for this type of project and for the regions that make it up, since it is the interaction between the various partners that allows AURORAL Middleware to be maintained and its interoperability to be maintained, while respecting the concept of co-operation: "cooperation describes interactions to achieve common objectives when actors' preferences are neither identical (harmony) nor irreconcilable (conflict)" (Paulo, 2014, p. 3).

The Alentejo's participation as one of the project's pilot regions promotes its integration into a group of Smart Communities, connected to each other, with interoperable services and objects and the wealth of knowledge and good practice exchange, continuing to align digital transformation with sustainable growth.

The region gains new contacts, internally and externally. Internally through co-creation and co-operation between the various players in the local economy, integrating fundamental links between citizens, institutions, government bodies, entrepreneurs and farmers into this open and interoperable environment. Externally, through its integration into a broad network of European rural communities, it is possible to continue learning, innovating and transforming the region, so that good practices can give rise to innovations designed in accordance with the region's capital and responding to the most pressing needs, collaborating and making each of them a Smart Community that is connected, transformative, with new economic dynamics and resilient.

3. The Bairros Saudáveis programme

The Bairros Saudáveis programme began in October 2020 and ended in 2023, created by Council of Ministers Resolution 52-A/2020, which determined: "As condições em que as pessoas nascem e vivem são determinantes para o seu desenvolvimento integral. No âmbito da saúde, é consensual que os chamados determinantes em saúde - biológicos, mas também sociais e económicos, ambientais, comerciais e de estilos de vida -, influenciam, num ou noutro sentido, o estado de saúde individual, familiar ou comunitário" (Presidência do Conselho de Ministros, 2020).

During these three years, the programme has had two editions. The programme's main objectives in both editions were to promote better living conditions and well-being in vulnerable territories.

Focusing on the Sustainable Development Goals and knowing the territorial realities, especially in the context of the pandemic, the programme promoted support for small interventions in these territories, by funding projects by associations, non-governmental organisations, movements, collectivities, among others. As well as being highly participatory, this type of action often required co-operation with local authorities and all the public bodies needed to achieve their goals.

In Alentejo, 27 projects were carried out working in various fields such as health, the environment, town planning, the economy and social interventions, covering various Sustainable Development Goals.

3.1. The Bairros Saudáveis contribution to boosting innovation in the Alentejo

The programme has two main strands: social and participatory. One of the major innovations offered to the region during the implementation of its 27 projects is the focus on social and community innovation. This participatory approach, in which local communities get involved and identify their needs and solutions, promotes active participation and the empowerment of the population for new projects and new partners. The population's literacy around public policies is clearly developed and for their empowerment in this key area.

Another innovative factor was the integration of health, opting for the broader concept of health from the World Health Organisation (WHO): "um estado de completo bem-estar físico, mental e social e não apenas a ausência de doença" (World Health Organization, 2024), allows for a more substantial

understanding of the difficulties in accessing health services or healthier habits/lifestyles, as well as knowledge. Combining health with local development makes a valuable contribution to social cohesion in the Alentejo.

This programme identifies very specific needs and promotes the development of local, sustainable and efficient projects, allowing solutions to be as personalised and innovative as possible, because not only are the needs different, but so is the local capital.

In addition to these, it should be noted that many of the promoters of these initiatives are mainly local associations, non-governmental organisations, cooperatives, etc. A programme of this kind strengthens them, since as well as implementing the projects, they have acquired useful skills and tools to carry out new initiatives and projects with a focus on civil society, as stated in the conclusions of the 1st Alentejo Regional Forum: "Os projetos reunidos no Fórum Regional dos Bairros Saudáveis do Alentejo apelam ao Governo para que sejam realizadas novas edições do Programa Bairros Saudáveis, como verdadeira política pública, com os meios e recursos necessários, para a sociedade civil e com a sociedade civil" (Bairros Saudáveis , 2024).

3.2. The Bairros Saudáveis contribution to sustainability

The various interventions in this programme have had a direct impact on improving the quality of life and well-being of the communities where they have taken place. The various project actions in the Alentejo have had important, direct and visible impacts in terms of sustainability.

The various local and sustainable solutions to the problems faced by various communities in Alentejo have given rise to projects such as the 'Largo da Nora Multi-recreational Space', the aims of which were to promote health through outdoor sports, to foster a sense of community among the various residents, environmental education and the requalification of the space by converting a wasteland into a public space with comfortable infrastructure. Another project where sustainability is one of the fundamental pillars is the 'Ribeira da Torregela Viva e Vivida' project, which has created a network for the custody of the Ribeira to safeguard it, carried out a study on it and its pollutants, as well as environmental education. Another project is 'Moeda VEGetal', which sought to help local artisans grow economically and people who were unemployed or lost their income due to the pandemic, using endogenous plant fibres as material for new craft products. All these projects touch on another contribution to sustainability, as they all seek to improve the urban environment, as they call for the creation of green spaces, their maintenance and the use of ecological materials in products and are examples of many other projects in the region that are possible through this programme.

In the face of climate change and all the challenges facing the region, this programme has an important impact on the resilience of the communities involved and therefore on their strength and capacity, as it allows cooperation between various entities to help create more environmental conservation projects, the sustainable use of natural resources and the transmission of cultural knowledge, with more sustainable practices, enabling them to cope with climate change, environmental degradation, the meagre income of the most vulnerable groups and the demographic recession itself.

3.3. The relevance of Bairros Saudáveis programme to cooperation

Cooperation in this program was a key factor in carrying out several works, as the involvement of the local community is important for this type of discipline. The local community, whether associations, schools, non-governmental organizations, are the first level of cooperation and the second level contains all institutions with political power. According to the Principle of Sustainability, the entities with political power closest to these communities are the Municipalities and Parish Councils, which are necessary to carry out some of the activities such as the requalification of spaces under their control, etc.

At the third level was the contribution of regional teams that monitored the work of projects in the territory and helped with all the work of displaying results, monitoring and evaluation. At the fourth level, the national coordination team offered the promoting entities knowledge and management capacity, as well as discussed results and evaluated the program, being the focal point with the Portuguese government. At a final level, government collaboration was the starting point for the program to emerge as a public policy, adapted to the needs of local communities and enabling its execution and continuity.

Remembering that Alentejo is a region with scattered territories and an aging population, this program, by promoting cooperation between the various inhabitants, local associations, public and

private institutions, achieved an important sense of community, but also the possibility of creating a network of local support, beneficial for resolving problems in a dialogical, open, transparent and collective way. Local and even intermunicipal partnerships demonstrate the strengthening of institutional and collaborative relationships that allow us to continue implementing more projects of this type in the territory.

An important novelty brought about by this program was the integration of several Ministries of the Portuguese government, thus integrating areas such as health, housing, environment and education, promoting broader cooperation and promoting multidisciplinary approaches in communities' responses to their problems, promoting more holistic solutions. and effective in improving the quality of life of the local communities where the interventions took place.

4. The contribution of both experiences to Alentejo regional development

Both Bairros Saudáveis and AURORAL are important initiatives for the regional development of Alentejo, considering all their contributions to facing the different challenges that the region faces.

The focus of both is very idyllic: improving the quality of life of residents. In the case of Bairros Saudáveis, the way in which it is achieved is through interventions participated by the community, which promotes defined solutions to needs and aims to combat their difficulties by promoting more equitable and inclusive development. In the case of AURORAL, social development is promoted through the creation of Smart Communities, which, when connected, offer access to a wide range of digital services and technological infrastructures so that communities have access to more efficient services.

Both encourage the development and growth of local economies, promoting sustainability in the fields, supporting small and medium-sized companies or cooperatives and the digital transformation of traditional sectors, with the various most important brands in each of them.

Regional development has sustainability as one of the important vectors and the implementation of both in the territory promotes environmental sustainability, as the creation of green spaces, community gardens, the requalification of green spaces, waste management and the fight against pollution allow improvements in community life and help to tackle climate change. AURORAL, by encouraging smarter management of resources and renewable energy, as well as digital solutions that optimize agriculture, water and energy management, aim to environmental preservation and efficiency in the use of natural resources, which also makes, the most resilient communities.

The various cooperation mechanisms allow for local learning and training, as both local and national or inter-regional cooperation allows the exchange of knowledge about new innovations and good practices, enabling new solutions and new projects.

Each of these experiences demonstrates that the same objective can be achieved in different ways, demonstrating that the experiences that took place at the same time contributed in a complementary way to the regional development of Alentejo. Bairros Saudáveis program were a significant effort for community development and cohesion, allowing the population to be involved in the design and adoption of local policies and solutions and AURORAL with inter-regional cooperation, with knowledge of good practices and range of solutions digital and innovative, by enabling the digital transformation of the region, it promotes the cohesion, sustainability and resilience of the territory in a broader and replicable way.

5. Conclusions

The experience of the H2020-AURORAL project and the Bairros Saudáveis program are two examples of place-based policies that have brought significant contributions to the region. Whether through AURORAL solutions or through small interventions in communities, all communities were strengthened, as well as their populations more capable of the technological environment and social innovation.

Both showed that they are an important way to increase the resilience of the territory and the empowerment of local populations, who see their needs met and their quality of life improved. These are programs that gradually achieve the much-desired social cohesion, with the population as the main means of improving living conditions and projects such as AURORAL that show the importance of

technologies to improve the management of their territory and reach to older and more dispersed populations.

These two great examples of place-based policies demonstrate their importance, and their results make it possible to learn that public regional development policies have more significant and lasting impacts when they are designed and/or adapted to the specific needs and characteristics of each community. The innovation offered by Bairros Saudáveis and AURORAL stands out as a key factor for regional development and the future of the region, combining quality of life with technology, sustainability and cooperation in the territory.

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Public Policy Portuguese Journal
2024, Volume 9, Number 1, pp. 45 - 56
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Mainstreaming Sustainability in Cohesion Policy Programmes and Projects: Early Experiences with Operationalising the 'Do No Significant Harm' Principle

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ABSTRACT

In the context of the reinforced 'green' mainstreaming under the 2021-27 regulatory framework for Cohesion Policy, this article reviews early experiences of the programmes that are part of the IQ-Net knowledge exchange network with the operationalisation of the 'Do No Significant Harm' (DNSH) principle. The article is based on secondary sources and fieldwork research, involving interviews with programme authorities in the IQ-Net partner countries and regions, as well as with the European Commission (DG REGIO), carried out during Spring 2024.[11] It discusses the new regulatory requirements around DNSH, the approaches taken by IQ-Net programmes to ensuring compliance with these provisions at both the programming and implementation stages, as well as the key challenges and capacity-building actions aimed at supporting the implementation of this new conditionality.

Keywords: Cohesion Policy, Do No Significant Harm, sustainability, green conditionalities, environmental mainstreaming.
JEL classification: R11, R58, R52, Q58, Q01.

1. CONTEXT: CLIMATE MAINSTREAMING AND 'GREEN' CONDITIONALITIES IN 2021-27

Cohesion Policy plays an instrumental role in contributing to the European Union's (EU) response to the global challenge of climate change and transitioning to a carbon-free economy. Reflecting wider EU priorities, the European Structural and Investment Funds (ESIF) place an increasing emphasis on environmental sustainability and are crucial instruments for delivering the objectives of the 'European Green Deal', which confirms the long-term EU goal of reaching climate neutrality by 2050 and tackling environmental challenges (European Commission, 2020 and 2022; Dozhdeva and Fonseca, 2021; EPRS, 2016).

[10] The author would like to thank Professor John Bachtler who co-authored the paper on which this article draws. The author would also like to thank all the IQ-Net researchers for their research in IQ-Net partner countries and regions and all the respondents from national and regional authorities, as well as from the European Commission (DG Regio) who participated in the research. IQ-Net is sponsored by Structural Funds managing authorities, coordination authorities, and intermediate bodies from 13 EU Member States. The content and conclusions of this article do not necessarily represent the views of individual members of the IQ-Net Consortium.

[11] This article is based on research undertaken for the IQ-Net network and draws on the paper prepared for the 56th IQ-Net Conference, Conditionalities for the Environment and Climate in Cohesion Policy, held on 5-7 June 2024 in Évora, Portugal. For further details and data see: Dozhdeva V and Bachtler J (2024) Accelerating climate action in Cohesion Policy programmes: how are green conditionalities being applied? IQ-Net Thematic Paper 56(2), European Policies Research Centre Delft.

Over several programming periods, Cohesion Policy has reflected the evolution of the EU-level green agenda through growing environmental integration and mainstreaming (European Commission, 2016, 2019, 2020, 2022; EPRS, 2016; Ciffolilli et al., 2021). This has included an increasing application of regulatory conditionalities related to the environment and climate (European Commission 2016-2022; Bachtler and Ferry, 2015; Dozhdeva and Fonseca, 2021; Vironen et al., 2019). In 2014-20, these included the earmarking of funding for low-carbon priorities; relevant ex-ante conditionalities to maintain focus on the sustainability agenda; climate and environmental weighting of intervention fields; and a recommended focus on actions reducing environmentally harmful impacts of interventions.

The 2021-27 ESIF framework, while maintaining and reinforcing key elements of the 2014-20 period, introduced important changes to the way of mainstreaming sustainability into ESIF programmes and projects. New requirements have been introduced, including increased climate and environment-related thematic concentration, Fund-specific spending targets for the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), a new framework of enabling conditions to support green measures, and climate proofing of investments in infrastructure. Crucially, the 'Do No Significant Harm' (DNSH) principle has been reinforced and integrated as a horizontal, cross-cutting, criterion (see Table 5).

TABLE 5: ENVIRONMENT AND CLIMATE-RELATED PROVISIONS IN 2014-20 AND 2021-27

	2014-20 period	**2021-27 period**
Priorities	11 Thematic Objectives (esp. 4, 5, 6)	5 Policy Objectives (incl. dedicated PO2)
Thematic concentration	12 to 20 % investment to sustainability initiatives (category of region level)	Min. 30% for sustainability initiatives (national or category of region level)
Fund-level contribution		Minimum contribution at Fund level to climate targets (30% ERDF, 37% CF)
Other provisions	Relevant ex-ante conditionalities[12]	Relevant enabling conditions[13]
	List of specific climate actions to take into account in the selection of operations	Climate proofing of investments in infrastructure with an expected lifespan of at least 5 years
	Climate & environmental weighting of intervention fields in implementing act	Climate & environmental weighting of intervention fields in Annex I
	Total indicative amount of support envisaged for climate change objectives indicated in the Partnership Agreement and Operational Programmes	National climate contributions, for ERDF and CF, established in the Partnership Agreement
		Climate adjustment mechanism: if monitoring indicates insufficient progress, remediation measures agreed in annual review meeting
	MAs to undertake actions to avoid or reduce environmentally harmful effects of interventions and ensure results in net social, environmental & climate benefit	'Do no significant harm' principle

Source: https://ec.europa.eu/regional_policy/en/2021_2027/#23

DNSH and its integration into the ESIF regulatory framework as a horizontal principle is a fundamental change from the 2014-20, and is a central element supporting green mainstreaming of environmental considerations across Cohesion Policy programmes and projects.

[12] e.g. regarding energy efficiency, renewable energy, cogeneration, smart energy infrastructure; risk prevention & risk management; water sector, waste sector; environmental legislation: EIA/SEA

[13] e.g. strategic policy framework to support energy efficiency renovation; national energy and climate plan; national or regional disaster risk management plan; national investment plan in water and wastewater sectors; waste management plan(s), etc.

2. DNSH REQUIREMENTS: SUPPORTING GREEN MAINSTREAMING THROUGH HORIZONTAL INTEGRATION OF ENVIRONMENTAL CONSIDERATIONS ACROSS COHESION POLICY INTERVENTIONS

In order to reinforce the support for sustainability transitions, the DNSH principle aims to ensure that climate change, resource use and biodiversity related considerations are taken into account at all stages and levels of Cohesion Policy implementation, at both programme and project levels. In a budgetary context, the principle aims to restrict expenditure with potentially negative climate and environmental impacts. In a wider sense and applicably to ESIF, DNSH implementation modalities relate to various elements including a dedicated DNSH assessment for all types of actions defined in the ESIF programmes; climate proofing of investments in infrastructure which have an expected lifespan of at least five years; relevant environmental assessments (including Environmental Impact Assessment, EIA[14] / Strategic Environmental Assessment, SEA[15]); lists of activities excluded from funding; thematic enabling conditions; and compliance with relevant EU environmental legislation at the level of each operation.

While the general principle was already promoted in 2014-20, with Managing Authorities (MAs) being advised to undertake actions to avoid or reduce environmentally harmful effects of interventions, this has been further reinforced in 2021-27 under the EU Sustainable Finance Taxonomy regulation (EU Regulation 2020/852), and specified in the core Cohesion Policy regulations.[16] To ensure that Cohesion Policy investments are aligned with the European Green Deal objectives, the investments in the programmes must take into account the DNSH to the environment principle, covering climate change mitigation, adaptation, water and marine resources, circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems (see Table 6).

TABLE 6: INTERPRETATION OF DNSH UNDER THE COMMON PROVISIONS REGULATION

For the purposes of the Common Provisions Regulation (CPR), DNSH is to be interpreted within the meaning of Article 17 of the Taxonomy Regulation, which defines what constitutes 'significant harm' for the six environmental objectives covered by the Regulation. An activity is considered to do significant harm to:

1. climate change ***mitigation*** if it leads to significant greenhouse gas emissions;
2. climate change ***adaptation*** if it leads to an increased adverse impact of the current climate and expected future climate, on the activity itself or people, nature or assets;
3. the sustainable use and protection of ***water and marine resources*** if it is detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters;
4. the ***circular economy***, including waste prevention and recycling, if it leads to significant inefficiencies in the use of materials or in the direct/indirect use of natural resources, or significantly increases waste generation, incineration or disposal, or if the long-term disposal of waste may cause significant and long-term environmental harm;
5. ***pollution prevention and control*** if it leads to a significant increase in emissions of pollutants into air, water or land;
6. the protection and restoration of ***biodiversity*** and ecosystems if it is significantly detrimental to the good condition and resilience of ecosystems, or detrimental to the conservation status of habitats and species, including those of Union interest.

Source: European Commission (2021a) Commission explanatory note on the application of the "Do No Significant Harm" principle under Cohesion Policy (EGESIF_21-0025-00 27/09/2021)

Crucially, compliance with the DNSH principle must be ensured during both the design and the implementation stages of the programme.

[14] In line with the EIA Directive, projects likely to have significant effects on the environment by virtue, inter alia, of their nature, size or location are made subject to a requirement for development consent and an (ex-ante) assessment with regard to their effects on the environment.

[15] Plans and programmes which are identified as likely to have significant effects on the environment should be made subject to SEA. The SEA procedure identifies the measures to prevent, reduce and offset any possible significant adverse effects on the environment when implementing the programme.

[16] See e.g. Common Provisions Regulation (CPR) Recital 10, CPR Article 9, ERDF/CF Regulation Recital 6.

At programming stage, Member States assess the compatibility with the DNSH principle, at the level of types of action, during the process of defining their programmes. Programmes cannot be approved by the European Commission (EC) until all the types of actions are assessed as taking into account the DNSH principle.

While the Cohesion Policy regulatory framework does not establish any specific processes, instruments or an obligatory procedure to follow for the application of the DNSH principle under ERDF and CF (Beltrán Miralles et al., 2023), guidance provided by the EC (European Commission, 2021a) recommends that under Cohesion Policy programmes, Member States (MS) follow the same approach as adopted under the Recovery and Resilience Facility (RRF) and specified in the RRF DNSH Technical guidance (European Commission, 2021b). In line with this approach, if a similar action has been assessed against the DNSH principle under the Recovery and Resilience Plan (RRP), there is no need to repeat assessment for that type of action under ESIF programmes. Actions that obtained a positive result under the RRF assessment are considered compliant with DNSH – and conversely, those that were excluded from the RRP due to incompatibility with DNSH cannot be funded under Cohesion Policy. MS can also choose their own approach for the DNSH assessment, but it should provide a similar level of scrutiny as the RRF approach (Beltrán Miralles et al., 2023; European Commission, 2021a).

Overall, in order to demonstrate that the adequate assessment was carried out, each ESIF programme should specify on which basis the types of actions have been assessed as compatible with the DNSH principle (European Commission, 2021a), i.e. since they:

- are not expected to have any significant negative environmental impact due to their nature, or
- have been assessed as compatible under the RRF, or
- have been assessed as compatible under the RRF DNSH technical guidance, or
- have been assessed as compatible according to Member State's own methodology.

During programme implementation, compliance with DNSH must be ensured at all stages, including project preparation, assessment, implementation and closure. While the regulations do not require a case-by-case assessment of compliance of each operation with the DNSH principle, it is the responsibility of MSs to ensure that DNSH is applied throughout the whole implementation period and is taken into account for each individual operation.

Across IQ-Net partner programmes, different approaches to ensuring compliance with the DNSH principle are adopted, at various stages of programme and project preparation and implementation. Differences are due to various factors, including the nature, scale, thematic focus and material scope of programmes and projects, and the degree of identified climate/environmental risks that the co-funded activities can pose.

3. Applying the DNSH assessment in programming

In line with the regulatory requirements, compatibility with the DNSH principle was assessed by all IQ-Net authorities during the process of defining their programmes.

In terms of specific approaches for conducting these programme-level DNSH assessments, most IQ-Net partners used the methodology outlined in the RRF DNSH Technical guidance. In most cases, activities were assessed as DNSH compatible since they were assessed as compliant under the RRF or under the RRF DNSH technical guidance, or were not expected to have any significant negative environmental impact due to their nature.

Some programmes sought to ensure close links to the Strategic Environmental Assessment (SEA) process – while recognising that the SEA procedure does not automatically entail compliance with the DNSH principle. For instance, in Ireland, Portugal and the Basque Country, the DNSH assessment process was described and integrated in the SEA, and relevant findings of the SEA were used in the DNSH Programme assessments in other countries as well (e.g. in Austria, Greece). It was however noted that the timing of these two processes did not allow to combine them in a single exercise or ensure better coordination between them (Austria, Czechia, Hungary). In several cases, the DNSH assessment requirement and the corresponding legislation were introduced when the SEA had already been finalised (e.g. in Austria and Hungary) or were under way (e.g. in Czechia), which led to DNSH

assessment being treated as a separate exercise. This duplicated some of the work already carried out for the SEA, making some programme authorities question the added value of a DNSH assessment in addition to a SEA.

Across most IQ-Net programmes, MAs had the primary responsibility for overseeing the DNSH assessment at OP level, although some outsourced the drafting to external companies (e.g. Flanders, Hungary, the Netherlands, some regions in Poland).

In line with the RRF technical guidance, the assessment generally involved a two-step approach, which consisted of: (i) screening against the six environmental objectives to identify those requiring substantive assessment; and (ii) a detailed analysis, where applicable.[17] If a substantive assessment was required for any of the environmental objectives in Stage 1, it was carried out in Stage 2. This was supported by relevant justification and, where necessary, further analysis as well as mitigating measures to offset any potential risks. Some of the initially planned actions with potentially significant negative environmental effects were excluded as a result of the assessment. This was, for instance, the case in the Basque Country, where some actions e.g. aimed at increasing the capacity for generating energy from renewable sources, water sanitation and purification actions were excluded from the final version of the OP as they were assessed as being able to potentially cause significant negative environmental effects. In Hungary, under the Economic Development and Innovation OP, the identified risks related to increased light pollution, maintaining ecosystems and recycling of used materials, and measures to mitigate their impact were prescribed, to be passed on to beneficiaries as a condition for funding. In addition, activities with positive environmental contribution were also identified, which were later reflected in project selection criteria and procedures.

Where none of the environmental objectives required a substantive DNSH assessment, no step 2 was required (e.g. Austria, the Netherlands). If a similar action was assessed against DNSH under the RRF, the assessment was not repeated for that type of action under Cohesion Policy programmes.

Programme-level DNSH assessments have a crucial importance for the subsequent stages of ESIF implementation. They set the key parameters for DNSH compliance during project operationalisation, and are therefore fundamental for ensuring adherence of all Cohesion Policy co-funded measures to this principle. Across all IQ-Net programmes, they served the basis for the definition of selection criteria and procedures as to ensure that all projects respect the principles of sustainable development / DNSH. In some cases, they also outlined key requirements for project applicants, including the necessary documentation and supporting evidence. For example in Pomorskie (Poland), the DNSH analysis carried out at the programming stage included two sections that project applicants are directed to when working on submissions, including obligatory DNSH requirements and additional criteria informing project calls and selection procedures, as well as supporting documentation to be submitted during the application process.

The process of conducting the programme-level DNSH assessment was, however, not always straightforward, with IQ-Net programme managers highlighting a number of issues.

Firstly, novelty of the DNSH requirements and lack of previous experience with conducting this type of assessment was a common challenge. Combined with the lack of clarity and single guidance on the process, this led to diverging interpretations and approaches taken across programmes (Czechia, Flanders, Hungary, Pomorskie (PL), Warmińsko-Mazurskie (PL)). Lack of expert capacity and a lengthy process of defining institutional responsibilities for this task were also noted among the issues.

Furthermore, methodological complexity of the programme-level DNSH assessment exercise was noted (e.g. by Portugal and Hungary), including the associated technical-scientific uncertainties, as well as inherent subjectivity and immateriality (Universidade NOVA de Lisboa, 2022). Given the remoteness of this assessment from the operational scale of the projects, it is difficult to anticipate their environmental impacts and necessary to rely instead on integrated predictions of trend impacts, based on a multi- and interdisciplinary approach (Ibid.).

Finally, late adoption of DNSH legislation meant that it could not be meaningfully addressed in some programmes, as well as led to the overlap and lack of integration with SEA (Austria, Czechia, Hungary).

Some of these difficulties cascade down to the operational phase, creating challenges for DNSH assessment and compliance at project level.

[17] If an analysed measure did not require a substantive assessment, it meant that it:

a) has no or an insignificant foreseeable impact on the environmental objective given its nature;
b) is tracked as supporting a climate change or environmental objective with a coefficient of 100%;
c) 'contributes substantially' to an environmental objective, pursuant to the Taxonomy Regulation.

4. DNSH: FROM PROGRAMMING TO IMPLEMENTATION

Despite the lack of a regulatory requirement to conduct assessment of compliance of each project with the DNSH principle on a case-by-case basis, it is the responsibility of MSs to ensure that DNSH is respected in each individual operation.

As a minimum, the MAs should make sure that all operations selected for funding fall within the scope of the types of actions that were previously assessed as DNSH compatible in the programme, through defining and applying appropriate criteria during the selection procedure. In addition, specific DNSH-related criteria for the selection of operations can be defined during programme-level DNSH assessment, with compliance evaluated during project appraisal (European Commission, 2021a; Beltrán Miralles et al., 2023).

While these actions should help ensure projects' DNSH compliance, many IQ-Net authorities opted to develop additional tools and safeguards in order to mitigate risks of projects leading to negative environmental impacts during implementation.

At the time of the research being conducted, IQ-Net programmes were at different stages in this process, elaborating and/or applying different approaches to ensuring DNSH compliance in practice. Broadly, these related to three modalities: programme, process, and project level compliance (see Table 7).

TABLE 7: IQ-NET PROGRAMMES' APPROACHES TO ENSURING DNSH COMPLIANCE DURING IMPLEMENTATION

Programme-level compliance	Process-level compliance	Project-level compliance
DNSH carried out at programme level. If a project fits with the programme, no further DSNH assessment is considered necessary	DNSH carried out in the design of specific selection (eligibility / appraisal) criteria for project calls	Compliance at project level demonstrated by the applicant at project application (e.g. declarations, checklists, questionnaires, etc.).

Source: Own elaboration based on IQ-Net research.

These are closely interlinked, and most IQ-Net partners intended to use a combination of these approaches and their variations.

4.1. Programme-level compliance

In some IQ-Net programmes, DNSH assessment is undertaken at programme level, based on the following argumentation: since the programme is assessed as being DNSH-proof, if a project fits within the programme, it automatically complies with DNSH. Beneficiary's input in this case is not necessary. Importantly, in cases where this approach is adopted (e.g. Austria, Flanders), environmental risks are generally perceived to be low due to the types and sizes of projects covered by the programmes.

4.2. Integrating DNSH into project selection: horizontal and specific criteria

Project selection criteria are crucial for ensuring DNSH compliance of projects, and across IQ-Net programmes, DNSH was often addressed as part of the process of drawing up project eligibility or appraisal criteria.

Firstly, respecting the 2021-27 regulatory provisions, DNSH is included as part of the horizontal principle of sustainable development (CPR Article 9) in all programmes, meaning that environmental compliance including DNSH is a horizontal (eligibility) selection criterion for all ESIF co-funded projects. In practice, compliance with this horizontal criterion is evaluated during the project selection process concurrently with other project call requirements and other horizontal principles (fundamental rights, gender equality, non-discrimination).

In addition, the DNSH principle can also be integrated into specific selection criteria, e.g. through specific eligibility or appraisal DNSH criteria for the selection of operations. Importantly, the sustainable development principles outlined in programme-level DNSH assessments are incorporated into relevant project selection procedures. Where risks have been identified, recommendations and mitigating measures from the programme-level DNSH analysis can also be transferred into project selection criteria and contribute to project scoring during the selection process.

MAs can define their own selection criteria, which can – but do not have to – be based on the Technical Screening Criteria set out in the EU Taxonomy. This means that project selection criteria can be set in a way that they: (i) demonstrate no negative impact on any of the six DNSH objectives (as an eligibility criterion); and (ii) (additionally) demonstrate positive impact on one or more of the six DNSH objectives (which can be set as mandatory or optional criteria, depending on the nature of the intervention and the impact sought). In most cases, a combination of these approaches is used.

- For example in Ireland, under the Town Centre First Heritage Revival Scheme[18], both eligibility and assessment DNSH criteria are used to prevent negative impacts along with encouraging positive interventions to ensure the DNSH principle in project design and implementation. Positive interventions are a requirement for certain types of applicants, which typically involve higher grant amounts.
- In Pomorskie and Warmińsko-Mazurskie (Poland), projects must demonstrate no negative impact, while positive impact on at least one environmental objective gets bonus points in the selection process. Each project application has a mandatory DNSH section with checklists to prevent negative effects; in addition, there are 'strategic' selection criteria that are optional but can mean extra points being awarded if the applicant specifies positive solutions related to DNSH.

Specific DNSH eligibility conditions can also be outlined in individual project calls, complementing requirements defined in specific regulations and/or in general programme documentation, as well as selection criteria approved for particular project types (e.g. Czechia, Hungary, Portugal). In Czechia, for instance, DNSH requirements are always customised to suit the specific topic addressed by the call.

4.3. Project-level DNSH assessment

Apart from defining selection criteria, programmes may also ask applicants to undergo some form of DNSH assessment at project level. No EU regulatory provisions stipulate the requirement or a specific way of doing this, and across IQ-Net programmes, different approaches are used. This can, for instance, involve asking applicants to fill in DNSH declarations, checklists or questionnaires (e.g. in Bizkaia, Finland, Ireland, Pomorskie), or using specific compliance assessment tools (e.g. decision trees) during project application stage. The degree of depth and detail sought in such project-level assessments varies from programme to programme.

In West Netherlands, for instance, the MA uses a detailed tool comprising several decision trees covering each of the six objectives of the DNSH principle in order to test compliance at project level. The decision trees guide the applicant and evaluator through assessment criteria developed with reference to relevant EU documentation and request additional actions and information where needed. In Finland, the DNSH assessment is carried out on a project-by-project basis, following the RRF approach.[19] It involves several checklists, starting with a pre-assessment, which determines if full assessment (either general or detailed) is required.

4.4. Evidencing and verifying DNSH

No regulatory requirements lay out the specific process for evidencing DNSH compliance at project level, and programmes adopt various approaches, which reflect the nature of the operations as well as wider domestic arrangements.

Compliance with existing EU and national environmental legislation is the cornerstone of DNSH fulfilment. While DNSH conditions may go beyond existing legislation and processes, some or all DNSH requirements can be met by administrative processes under the legislation in force. For example in Denmark, compliance with DNSH does not constitute a procedure in its own right and is fulfilled through adherence to pre-existing national regulatory procedures. This means that project applicants demonstrate fulfilment of DNSH by describing their compliance with domestic environmental requirements.

In this context, in many programmes, the focus is on relying as much as possible on the already existing domestic procedures and evidence from third parties, and avoiding requesting additional documentation where possible (e.g. in Austria, Czechia, Denmark, Flanders, Hungary, the Netherlands). This aims to minimise the administrative burden on both implementing authorities and

[18] THRIVE, a grant scheme for local authorities which funds town centre regeneration projects.

[19] In Finland, DNSH assessment is only required to be carried out for business development projects which include material investments.

beneficiaries. In Czechia, for instance, a key rule is that the MA will not oppose any decision made by another state authority, and beneficiaries demonstrate DNSH using documents that are collected anyway for implementation or for other administrative purposes.

Findings of other environmental assessments, including EIA and climate proofing,[20] can also be used to evidence DNSH compliance, although they do not automatically satisfy DNSH criteria. For instance a properly undertaken climate proofing can inform the DNSH assessment for the climate change mitigation and adaptation objectives.

Furthermore, applicants may be required to produce additional documentation and supporting evidence, for instance stemming from the requirements of the programme-level DNSH assessment or specific project calls. There is significant variation across IQ-Net programmes in terms of requirements for such project-level evidence, which depends on the nature, thematic focus and scope of the programme and specific operations, as well as the overall approach to project-level DNSH assessment, among other factors. Specific examples of the types and nature of supporting documentation/evidence that project applicants are required to provide in order to demonstrate DNSH compliance can be consulted in the full paper from which this article draws, i.e. see Section 7.2, pp. 34-36.

Finally, in terms of verification and control, Member States are required to put in place appropriate mechanisms to ensure that DNSH compliance is respected throughout the whole implementation period.

Most IQ-Net programme partners have not developed dedicated DNSH monitoring arrangements, relying instead on standard project supervision procedures. At the time of the research being conducted, the main focus of programme authorities was on verifying compliance at project application stage, which was largely done as part of the general project appraisal process (i.e. DNSH evaluated alongside other selection criteria). Lack of dedicated DNSH experts for verifying the content of the DNSH-related claims and evidence in the application was noted among one of the challenges inherent in the process. In many cases, this requires a process of verification largely based on trust, whereas some programmes use external experts to verify project documentation (e.g. Flanders, Pomorskie, Warmińsko-Mazurskie).

In relation to subsequent stages of project implementation, many programmes intended to carry out verification of DNSH compliance as part of general control process (e.g. Czechia, Hungary, Pomorskie, Warmińsko-Mazurskie), with no dedicated DNSH monitoring arrangements foreseen. In the Polish regions of Pomorskie and Warmińsko-Mazurskie, for instance, further checks are planned to be carried out as part of verifications by the Managing Authority and the Audit Authority during implementation, with documentation from the investment process and ongoing activities verified for DNSH compliance at the stage of project control carried out by the MA.

Given the early stages of project implementation at the time of the fieldwork, however, it remains to be seen how compliance will be ensured and monitored in practice.

5. CAPACITY CHALLENGES AND CAPACITY-BUILDING

Since the EC gives Member States a relatively high degree of freedom in their assessment of DNSH during implementation, IQ-Net authorities have been developing their own approaches to dealing with the DNSH requirements in practice in ways that can best reflect the nature of their programmes and projects. This process, however, has not been straightforward, and a number of challenges, for both implementing bodies and project beneficiaries, have been highlighted.

Firstly, novelty of the 2021-27 requirements around DNSH and lack of previous experience, combined with late introduction of the DNSH principle and absence of uniform methodology and guidelines for its implementation create a significant difficulty for practical application. One of the main concerns raised by IQ-Net programmes relates to the lack of an explicit definition of what constitutes 'significant' harm. This uncertainty bears a risk of leading to diverging interpretations and creating issues in terms of audit controls, particularly if the MA and the audit authorities adopt different approaches (e.g. this concern was expressed by Austria, Czechia, Finland, the Netherlands). In the absence of uniform

[20] Climate proofing follows the DNSH principle and is based on two strands – climate change mitigation and adaptation. It should be ensured at the stage of selection of operations through an adequate methodology to prevent infrastructure from being vulnerable to potential long-term climate impacts.

definitions and methodology, interpreting 'significant' may entail a high level of subjectivity, leading to inconsistencies in practical application. In addition, lack of methodological steering from the EC can lead to variations in the quality and content of domestic guidelines for project applicants and beneficiaries.

Furthermore, broader challenges around the complexity of DNSH requirements and the associated administrative burden on both implementing bodies and beneficiaries have been noted (by Bizkaia, the Netherlands, Hungary, Pomorskie, Portugal, Warmińsko-Mazurskie). While this may lead to programmes adopting overly stringent measures to ensure compliance, increasing administrative workload and forcing potential ESIF applicants search for alternative funding sources (e.g. as noted by the Netherlands and Portugal), this can also increase the risk of formalism and a 'tick-box' approach to compliance (e.g. mentioned by Czechia, Hungary, the Netherlands). In the Netherlands, for instance, there is a risk that an excessive administrative burden on SMEs may lead to ERDF losing its appeal for potential beneficiaries, especially as DNSH assessment is not required under national funding instruments such as the Growth Fund.

Closely related to this, lack of internal expertise, capacity and know-how creates another difficulty for the practical application of DNSH. On the project applicants' side, there is often lack of the necessary in-house technical expertise to deal with the complex DNSH requirements, while the use of external consultants may be hindered by lack of financial capacity, particularly at an application stage (e.g. Ireland). Conversely, growing reliance on external expertise can exacerbate formalism (e.g. as stressed by Czechia) or lead to difficulties at subsequent implementation stages if there is limited knowledge of the regional and local context (e.g. noted by Pomorskie). Similarly, Managing Authorities and Intermediate Bodies (IBs) may also lack the necessary in-house capacity to verify the evidence provided by beneficiaries and monitor the related impacts (e.g. Denmark, Hungary, the Netherlands, Pomorskie, Warmińsko-Mazurskie), with no capacity to ensure the presence of dedicated climate experts within all MAs.

In addition, issues such as availability of pertinent climate data to substantiate DNSH assessments, the cross-sectoral nature of many DNSH elements, and restrictions posed by sectoral legislation can also lead to implementation difficulties.

5.1. Capacity-building measures

Overall, ensuring and verifying DNSH compliance at all stages of implementation while keeping the complexity and administrative load manageable for implementing authorities and beneficiaries is proving to be a difficult balancing act. IQ-Net programmes are adopting different measures to ensure adequate capacity for addressing the regulatory requirements around DNSH and responding to these challenges.

Use of external experts is an important way to mitigate the deficits in internal capacities and expertise for dealing with complex requirements around DNSH. Some MAs and IBs use external consultants at different stages of implementation, including before issuing project calls or during project assessment to verify project documentation in terms of DNSH compliance. Project applicants, which often lack internal capacities to analyse their projects' environmental impacts, may also use external experts. For example in Ireland, the MAs recognise that local authorities are unlikely to have in-house expertise to deal with DNSH requirements, and encourage them to bring on board external expertise where needed. For this purpose, environmental consultancy and professional expertise for DNSH screening and assessments are included among eligible project costs.

Developing more operational domestic methodologies and internal procedures is another way to assist implementing bodies and beneficiaries in addressing the new requirements. In many IQ-Net countries and regions, domestic guidance on DNSH has been produced or was being developed. For instance in Czechia, national methodological guidelines for DNSH were issued by the Ministry of Environment in 2022 and were subsequently updated based on the methodology developed under a Technical Support Instrument project and the experience gained from implementation.

Specific training and capacity-building events on DNSH are also important for addressing key gaps in this area. In Hungary, for example, trainings on green conditionalities, including the implementation of DNSH, have been provided for MAs by the Coordinating Authority in cooperation with external consultants, and training material has been put online. Capacity-Building Roadmaps are also expected to play a role in building knowledge and skills of implementing authorities and beneficiaries in areas related to environmental legislation and DNSH principle (e.g. in Portugal).

Furthermore, inter-agency and international collaboration is seen as crucial for facilitating the practical application of the new requirements. Cooperation with sectoral ministries and agencies is often sought in order to develop DNSH methodologies and capacity-building actions (e.g. in Czechia, Denmark, Finland, Poland, Portugal), drawing on their expertise in areas related to climate and environment. In Portugal, for instance, cooperation with sectoral agencies is crucial for developing approaches to tackling climate and environmental requirements in practice. As one example, in the area of energy, the Cohesion and Development Agency (AD&C) has been collaborating with the Energy Agency (ADENE) to develop compliance assessment tools in the context of DNSH/climate tagging and a matrix for their application for specific project types. In addition, many IQ-Net programmes engage in international exchange and benchmarking to help in developing domestic capacities and practical approaches to DNSH requirements. Platforms such as ENEA-MA (the European Network of Environmental Authorities – Managing Authorities), EMA Network (the Energy and Managing Authorities), REGIO Peer2Peer Communities, the Visegrad Group, and IQ-Net have been highlighted among important platforms in this regard, along with study visits and coordination with other MSs in developing approaches to new conditionalities.

Finally, evaluations on topics related to the 2021-27 green conditionalities, including DNSH, have been noted as valuable tools for gaining knowledge that can support their practical application and improve processes. In Portugal, for example, a dedicated evaluation on the DNSH principle is expected to help operationalise the relevant requirements. Apart from defining monitoring instruments supporting MAs in the application of DNSH in ERDF/CF programmes, this study is also expected to analyse the approaches of other Member States with regard to DNSH under different EU funding instruments, which will support the implementation of this conditionality and improve monitoring procedures.

Overall, supportive governance framework and adequate capacities at the level of both implementing bodies and beneficiaries are seen crucial for successful application of DNSH requirements, with relevant capacity-building efforts being a salient priority across IQ-Net programmes.

6. Conclusions

Important changes have been introduced in the new period in the ESIF regulatory framework around the environment and climate. The reinforcement of the 'Do No Significant Harm' principle and its integration as a horizontal, cross-cutting, criterion presents a significant shift in how sustainability is mainstreamed in Cohesion Policy programmes and projects.

The novelty and complexity of the DNSH requirements, including the need to ensure compliance throughout the whole implementation period while keeping the administrative load manageable, are seen as a difficult 'balancing act' and have required a steep learning curve for IQ-Net programme authorities.

While this conditionality has been addressed in programming terms, the way in which DNSH assessments were approached during programme preparation has important implications for the subsequent application of this principle in projects. At the current stage of implementation, key concerns of implementing bodies thus relate to the practical application of the new requirements, where no previous experience exists and a lot of uncertainty remains.

As the community regulations do not lay down any obligations requiring a project-level assessment of DNSH compatibility or any specific way of ensuring compliance during implementation, there is significant scope for flexibility to set this up in ways appropriate to national and programme contexts. At the same time, this lack of clear legal or methodological guidance on operationalisation creates several challenges, including diverging interpretations and the difficulty of ensuring consistency in compliance across programmes and Member States, as well as risk of overly burdensome procedures and excessive workload for implementing bodies and beneficiaries. Lack of uniform definitions exacerbates the risk of inconsistency in the application of the DNSH principle, potentially leading to difficulties in terms of audit controls. The complexity of the requirements and the effort required to put in place robust mechanisms to ensure compliance may lead to high administrative burden, potentially discouraging potential applicants from ESIF funding, and aggravate the existing capacity issues. Promoting capacity-building actions, inter-agency collaboration and international exchange are among important ways to mitigate some of these challenges.

While it remains to be seen how the new regulatory requirements will be operationalised at the subsequent stages of implementation, several take-aways for the future have been drawn from the experience so far with implementing the DNSH principle. Firstly, the need for timely introduction and

communication of new regulatory provisions has been emphasised, in order to allow sufficient time for preparation and adaptation. Furthermore, the importance of regulatory certainty and methodological steering has been stressed, including greater clarity on rules, definitions and expectations. This could help reduce uncertainty around the new regulatory provisions, accelerate the uptake, and ensure greater consistency in practical application. In addition, standardisation of DNSH requirements across different EU funding tools could help reduce fragmentation and prevent competition among these instruments. At the same time, the need for simplification and proportionality in the application of requirements has been advocated, to avoid excessive burden for implementing bodies and beneficiaries and better reflect differences in national and regional contexts.

ACKNOWLEDGMENTS

This article is based on research undertaken for the IQ-Net network and draws on the paper prepared for the 56th IQ-Net Conference held on 5-7 June 2024 in Évora, Portugal: Dozhdeva V and Bachtler J (2024) Accelerating climate action in Cohesion Policy programmes: how are green conditionalities being applied? IQ-Net Thematic Paper 56(2), European Policies Research Centre Delft.

The author would like to thank Professor John Bachtler who co-authored the IQ-Net paper, as well as all the IQ-Net researchers for their research in IQ-Net partner countries and regions and all the respondents from national and regional authorities, as well as from the European Commission (DG Regio) who participated in the research.

IQ-Net is sponsored by Structural Funds managing authorities, coordination authorities, and intermediate bodies from 13 EU Member States. The content and conclusions of this article do not necessarily represent the views of individual members of the IQ-Net Consortium.

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