



Outlook on the urban dimension of cohesion policy

Mapping the impact of cohesion policy in urban areas through the lenses of EU cities

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1 Executive summary

What is the urban dimension of cohesion policy?

The urban dimension of cohesion policy has emerged as a crucial element of public investment and innovation for cities across the European Union. Formalised in the late 1980s, it includes key principles such as multi-level governance, partnership, urban earmarking and sustainable urban development (SUD). This report aims to analyse its implementation and impact, providing insights through city-specific data and desk research.

During the past period (2014-2020), cohesion policy allocated approximately EUR 17 billion to urban areas, surpassing the initial 5% ERDF earmarking requirement. This funding supported 980 urban-focused strategies, mainly through ITIs and national and regional operational programmes. Key interventions included clean urban transport, energy efficiency, cultural heritage protection and social infrastructure. For example, Brno received over EUR 200 million, enabling significant metropolitan-level investments.

The current programming period (2021-2027) has earmarked EUR 24 billion for sustainable urban development, marking a 40% increase. This period focuses on greener, low-carbon, and inclusive urban areas. However, cities face challenges in translating these funds into effective strategies, with significant variations in national governance arrangements. The European Urban Initiative, with a budget of EUR 450 million, brings together previously existing funds to provide dedicated support for innovative actions and capacity building.

The experience of cities implementing the urban dimension of cohesion policy

Cities' experiences with multi-level governance and the partnership principle reveal mixed perceptions. While some cities, like Florence and Venice, report positive outcomes and continuous improvement, others, such as Riga and Budapest, face challenges due to centralisation and political influences. For instance, 50% of surveyed cities rated the partnership principle as good or very good, while the remaining cities found it sufficient or insufficient.

Most cities surveyed benefited from urban earmarking, though experiences varied based on national interpretations and priorities. Major recipients like Milan (EUR 122.2 million) reported significant support and positive impacts, while cities with limited resources, such as Gothenburg (EUR 2 million), highlighted bureaucratic burdens and insufficient funding for integrated investments.

The development of SUD strategies is generally viewed positively by cities, with instruments like ITI and CLLD enabling integrated and community-led approaches. However, implementation challenges persist, particularly around coordination and administrative capacity. Brno and Warsaw emphasise the benefits of ITI in fostering metropolitan cooperation and addressing local needs.

Impact of COVID-19 on Implementation and the interactions with the EU Recovery and Resilience Facility

The pandemic introduced significant challenges, but emergency measures like REACT-EU and the Coronavirus Response Investment Initiative (CRII) provided crucial support. Cities appreciated the flexibility and additional resources, though bureaucratic hurdles and centralisation trends limited local involvement. For example, Prague utilised CRII funds to support businesses and vulnerable populations, demonstrating the critical role of cohesion policy in crisis response.

The parallel implementation of the Recovery and Resilience Facility (RRF) and cohesion policy funds presents both opportunities and challenges. Cities express concerns about potential overlaps and

administrative burdens, emphasising the need for clear demarcation and strategic alignment between the two funding sources. Lyon and Florence highlight the organisational challenge of managing these resources within tight post-pandemic timelines.

Fit for the future? Cohesion policy supporting urban transformation

Cities are evaluating the suitability of current cohesion policy tools in supporting urban transformation. Many find them only partly fit for purpose, with insufficient budgets and fragmented funding structures. There is a strong call for more direct EU funding to enhance agility and reduce administrative burdens, aligning with the priorities of Europe's mayors as outlined in the [Eurocities Mayors Pulse Survey 2023](#). For instance, Tallinn suggests a separate EU financial support instrument for strategic and integrated investments.

This report highlights the need for a robust urban dimension in cohesion policy, as emphasised in the [Eurocities Manifesto](#) for the 2024 EU elections. Cities expect more from the EU to support urban transformations, particularly in areas like climate and energy investments, housing and social inclusion.

By continuing to carry out research and analysis on the urban dimension of cohesion policy, the goal is to shape a more effective and responsive policy that meets the evolving needs of urban areas. This will be crucial in ensuring that cities are empowered to drive sustainable and inclusive urban transformations.

2 What is the urban dimension of cohesion policy? A brief overview

The urban dimension of cohesion policy has gained prominence in the past and current EU budgetary periods, although an 'urban' dimension was formalised in the late 1980's. Today this policy is a very important, if not the most important, source of public investment and innovation in many cities, metropolitan and urban areas across the EU.

Strengthened partnership principle, earmarking for cities in the European Regional Development Fund (ERDF) – representing close to EUR 20 billion in 2014-2020 period - and the opportunity for cities to gain more direct control of the fund's implementation, as intermediary bodies and in some cases even managing authorities, have been a true game changer. While the partnership principle and earmarking are a requirement for all member states, the way in which this has been translated into the national context differs significantly.

The aim of this report is to put the spotlight on the urban dimension of cohesion policy and to give an overview of its status and impact in different EU cities. Building on desk-research and a dedicated consultation, the report presents original evidence that can help the reader understand the objectives, achievements and challenges of this important policy for cities.

2.1 Key principles: multi-level governance, shared management, partnership principle, urban earmarking, and sustainable urban development

Multi-level governance is at the core of cohesion policy, providing a clear role for local authorities – including cities - in its design and implementation. It recognises the diverse needs and specificities of different territories, promoting a decentralised approach to policymaking and project implementation.

In practice, this approach is delivered by involving local authorities in the decision-making process of the policy. This allows for the development of tailored development strategies that respond to different territories' needs, as well as to the involvement of those actors in the implementation of the strategies and projects, in line with the principle of subsidiarity.

Multilevel governance is translated into practice via the application of the partnership principle and in the partnership agreements. The **partnership principle** is a fundamental concept in the cohesion policy, emphasising the involvement of regional and local authorities, economic and social partners, and other relevant stakeholders in the decision-making processes related to the planning, programming and implementation of projects funded by cohesion policy. The partnership principle is informed by a dedicated code of conduct that establishes a common set of standards aimed at assuring inclusivity, local ownership, participatory decision-making and transparency.

The partnership principle is implemented through the so-called [partnership agreement](#) - a formal document between the European Commission and each EU member state. It outlines the strategic

approach and investment priorities for the use of funds within that country during a specific programming period. It highlights the strategic framework, the investment priorities, the governance structure and the performance framework. This process includes all partners, both in the preparation of the agreement and its programming (implementation and evaluation). It allows urban authorities to contribute to the definition of the overall strategy on the use of EU funds, including its translation at the urban level. This principle applies to all the cohesion policy funds¹ (ERDF, ESF, CF).

In the case of urban areas, the partnership principle is also translated with what is referred to as the **urban dimension of cohesion policy**, which earmarks a percentage of the total ERDF funding to urban areas, allowing them to develop dedicated sustainable urban development strategies to address their unique challenges and opportunities. This percentage may vary, but it reflects the commitment to addressing the specific needs of urban areas and promoting the place-based approach.

The resources are given to urban areas provided there is a strategic approach to sustainable urban development (SUD) as part of a long-term and integrated strategy. Territorial instruments were introduced to implement strategies in urban areas, namely integrated territorial investment (ITI), and community-led local development (CLLD). These instruments emphasise the importance of integrating multiple sectors and funds (ITI) and of local community engagement (CLLD).

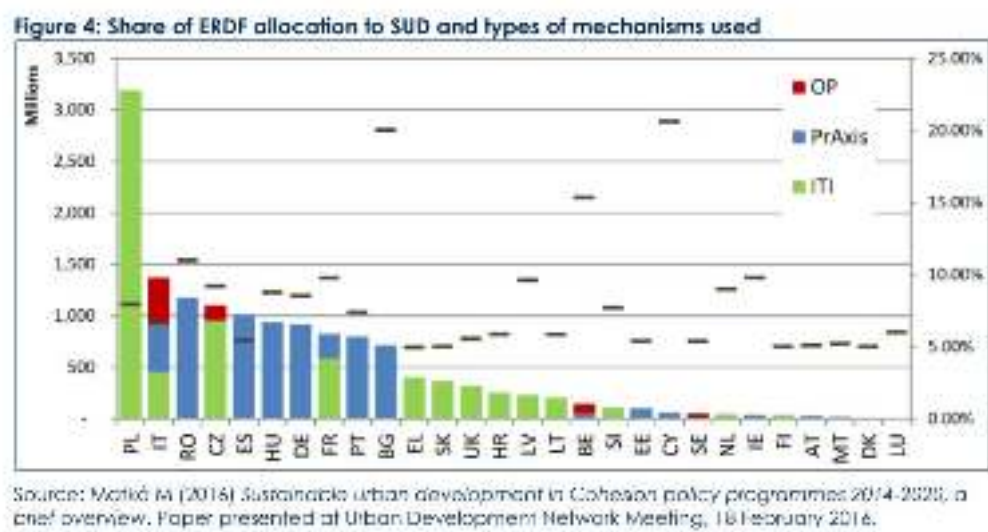
2.2 Sustainable urban development in the 2014-2020 cohesion policy period²

If we look at the past programming period, we can see how cohesion policy supported urban areas in various ways and even beyond expectations. While the Common Provision (CPR) regulation (i.e., the rulebook for cohesion funds) asked member states to provide at least 5% of their ERDF funds to support sustainable urban development, data shows that in reality many national governments exceeded this requirement (see figure below). This meant that around 8% (EUR 17 billion) reached cities ([European Commission, 2023](#)).

¹ Funds include European Regional Development Fund (ERDF) European Social Fund Plus (ESF+) Cohesion Fund Just Transition Fund (JTF) European Maritime, Fisheries and Aquaculture Fund (EMFAF) Asylum and Migration Fund (AMIF) Internal Security Fund (ISF) Border Management and Visa Instrument (BMVI). More info [here](#).

² This section is based and builds on the policy paper by Ferry M and Kah S (2022) Embedding the Urban Dimension in Cohesion Policy, IQ-Net Thematic Paper 50(2), European Policies Research Centre Delft accessible here: <https://eprc-strath.org/publication/embedding-the-urban-dimension-in-cohesion-policy/>

Figure 1: Share of ERDF allocation to SUD and types of mechanisms used – Eurocities research (2016)



To implement these funds, around 980 urban-focused strategies were developed using different territorial instruments. Different national governments interpreted the requirement in different ways, resulting in very different governance arrangements, often due to the differences in total funds available. This led to different types of urban investments and strategic approaches.

Figure 2: Themes addressed as part of the urban dimension of cohesion policy – retrieved from Ferry and Kah (2022)

Table 6: Themes addressed as part of the urban dimension in selected IQ-Net countries and regions, 2014-20

| Theme | AT | CZ | DK | EL | FI | HU | IE | NL | PT | W-M | Vla |
|--------------------------------------|----|----|----|----|----|----|----|----|----|-----|-----|
| Urban mobility and accessibility | | | | | | | | | | | |
| Climate adaptation | | | | | | | | | | | |
| Energy transition | | | | | | | | | | | |
| Circular economy | | | | | | | | | | | |
| Culture and heritage | | | | | | | | | | | |
| Air quality | | | | | | | | | | | |
| Housing | | | | | | | | | | | |
| Land use & nature-based solutions | | | | | | | | | | | |
| Jobs and skills in the local economy | | | | | | | | | | | |
| Urban poverty | | | | | | | | | | | |
| Digital transition | | | | | | | | | | | |
| Inclusion of migrants and refugees | | | | | | | | | | | |

Source: IQ-Net research

When analysing the information from the [cohesion data platform](#), key interventions for urban development include clean urban transport infrastructure and its promotion, energy efficiency renovation of public infrastructure, protection and promotion of public cultural and heritage assets, social infrastructure, cycle tracks and footpaths. This is in line with the detailed analysis from researchers from IQ-Net who tracked urban investments in several Member States (see above). Although, it should be noted that, as in the case of the Netherlands, some of the themes put forward in the strategy are financed by national resources.

Most of the funds for SUD were implemented via one of the territorial delivery instruments: integrated territorial investment or a priority Axis to Sustainable Urban Development (representing 81% of the planned allocation as of 2019 according to the European Commission). 14 countries have made use of one or more ITI strategies, totalling 217 ITIs across the EU. The option of a dedicated OP was only used in four countries: Belgium (Brussels OP), Czechia (Prague OP), Sweden (Stockholm OP) and Italy (Metro OP).

In 2014-2020, seven countries are implementing a total of 223 urban CLLD strategies. Almost all urban CLLD Local action groups use ESF funding, mostly in combination with the ERDF. Only the single urban local action group in the Netherlands exclusively uses the ERDF. The types of targeted territories range from areas within cities or districts.

In most countries, the ERDF is the most important source of SUD funding, not least due to the earmarking requirement. Of 1,047 SUD strategies, only 161 (16%) also use the ESF and just 37 (3.5%) also include CF resources.

The use of the ESF is not formally required, but naturally, the ESF programme operates in urban areas. Where the ESF is formally included in urban strategies, this is often done via an ITI.

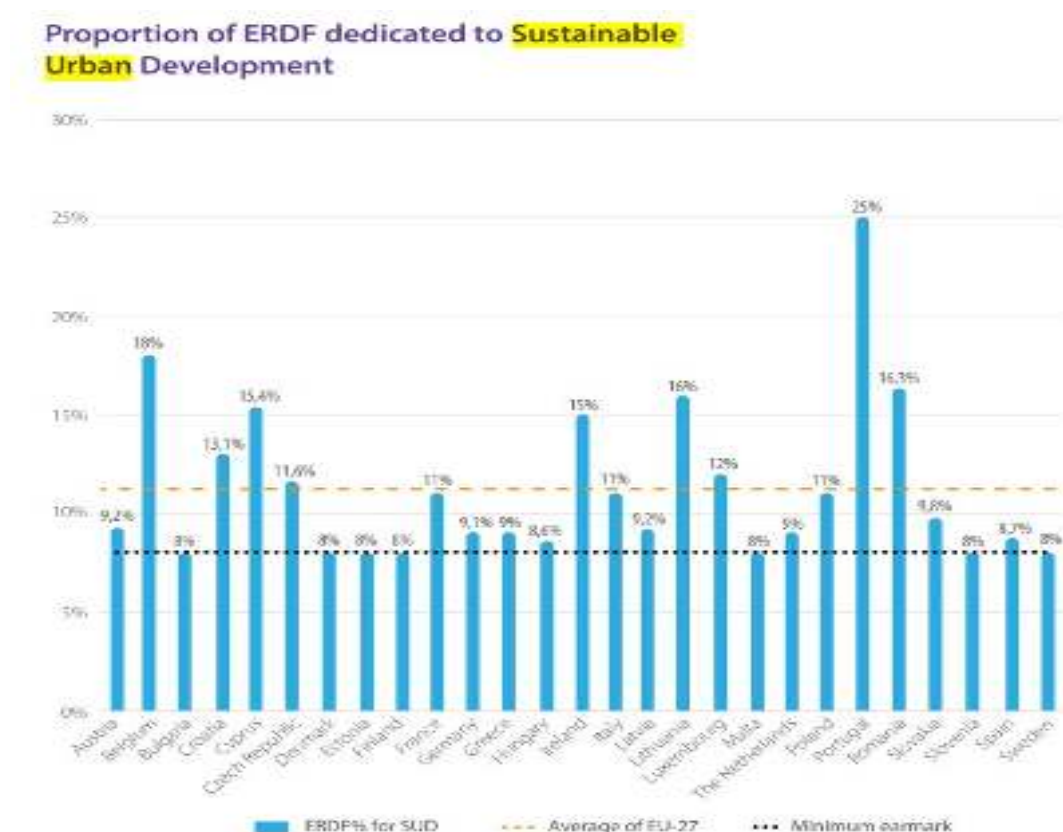
According to the analysis of IQ-Net researchers, only 12% of such strategies target territories with more than 250,000 inhabitants, with just five covering a population of more than 2.5 million (Berlin, Central Silesia, Greater Manchester, London and Rome).

In principle, SUD measures could make use of all [11 Thematic Objectives for 2014-2020](#). However, the majority of the 1,047 strategies collected by the JRC database makes use of three TOs: TO4 Low-carbon (77%), TO6 Environment (72%) and TO9 Social Inclusion (70%).

2.3 Expectations from the 21-27 period – towards a stronger urban dimension?

The new Cohesion programmes have set aside EUR 24 billion to support sustainable urban development (European Commission, 2024). This means EUR 7 billion more (an increase of more than 40 percent compared to 2014-2020) in a context in which the overall resources for ERDF programmes were minimally reduced. Even in this period, many member states have exceeded the minimum earmarking which was increased to this period to 8% (see figure below).

Figure 3: Proportion of ERDF dedicated to Sustainable Urban Development – retrieved from CEMR research³



With most of the operational programmes being finalised at the end of 2023, Member States have started to translate their interpretation of the urban earmarking which is resulting in very different governance arrangements to promote sustainable urban development. As most cities are still to develop their strategies, it is too soon to assess the key investment areas.

From the [CPR regulation](#), we can see that the new cohesion policy is supporting cities through all policy objectives but particularly through two of them, namely:

- PO 2: A greener, low-carbon Europe (vii) enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution (viii) promoting sustainable multimodal urban mobility, as part of transition to a net zero carbon economy.
- PO 5: A Europe closer to citizens (sustainable and integrated development of all types of territories and local initiatives) (i) fostering the integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism and security in urban areas.

³ For more information, please see [the Council of European Municipalities and Regions \(CEMR\) publication Cohesion Policy funds 2021-2027: An overview of the management and implementation of European Structural and Investment Funds in the European countries](#)

Building on initiatives already present in the past programming period, dedicated support is provided to innovative actions and Capacity and Knowledge Building, Territorial Impact Assessments, Policy Development and Communication as part of the European Urban Initiative with a budget of EUR 450 million.

As was the case in the past programming period, cities will continue to benefit from other cohesion policy funding programmes, notably ESF+, CF, and AMIF. At the same time, in this programming period cities will implement cohesion investments in parallel with the EU recovery investments. Links and synergies are also expected – [although traditionally difficult to achieve](#) - with other EU funding programmes, most notably Horizon Europe, the EU programme for innovation.

3 Beyond principles: cities' experience on their involvement in the implementation of funds

While multi-level governance and the partnership principle are key principles of cohesion policy, their implementation has not always been easy. Multiple sources have highlighted how the principles are often not translated into practice by Member States and how, especially in recent years, local authorities have lamented a trend toward centralisation.⁴

Against this background and in view of the forthcoming reflection on the next EU budget, Eurocities launched a consultation targeting its members to better understand how the urban dimension of cohesion policy was introduced in the 2014-2020 period and how it is taking ground across member states in the 2021-27 period⁵.

3.1 Partnership principle and multi-level governance

As highlighted, the partnership principle is a key principle of cohesion policy. However, the perception of its application in 2014-2020 shows very diverse perceptions of the level of application of this principle.

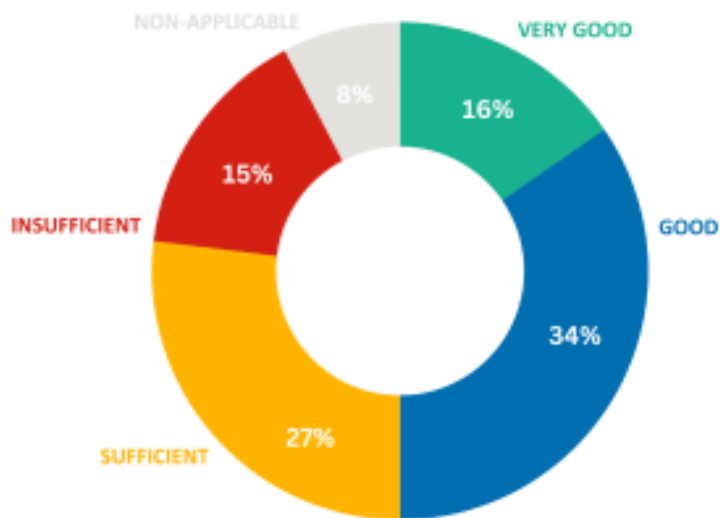
When asked to evaluate the application of the principle, half of the cities highlight a good (16%) or a very good (34%) result. This includes cities such as Rotterdam, Terrassa, Bologna, Prague, Arezzo, Gent, Florence, Brno, Taranto, Helsinki, Braga and Brussels. These cities are the ones that also highlight how they have benefited from good urban earmarking.

Figure 4: Evaluation of the partnership principle by cities in the 2014-2020 period

⁴ See here: [European Committee of the Regions](#); [Eurocities](#); [CEMR](#).

⁵ We received responses from 27 cities from 14 member states (+Norway), representing a significant sample that - complemented by additional desk research - can help us draw some preliminary conclusions.

How would you evaluate the application of the partnership principle during the the 2014–2020 period?

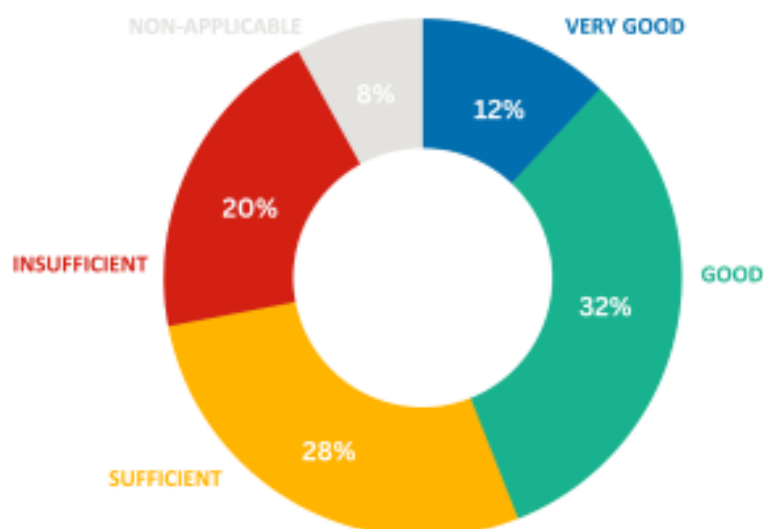


Just less than half (42%) of the cities see the application as sufficient (Gijon, Gothenburg, Metropole de Lyon, Nantes, Venice and Stadt Frankfurt am Main) or insufficient (Malmo, Budapest, Riga and Tallinn). Among the cities, we found those that were expecting more attention and more direct support through the funding instrument, were often unsatisfied about the way urban earmarking was deployed nationally.

If we compare these results with cities' perception of the preparation of the new funding period, we observe the same pattern, with city responses consistent across these two groups, although with a slightly negative trend.

Figure 5: Evaluation of the partnership principle by cities in the 2021–2027 period

How would you evaluate the application of the partnership principle during the preparation of the 2021–2027 period?



When asked if they noticed any major change, 39% of the cities notice positive improvements. These tend to be cities that already had a good or a very good situation. They particularly highlight improvements around their involvement in consultation processes, such as their inclusion in working groups and monitoring committees.

Another significant group of cities (32%) does not see major changes. Finally, 21% observe a negative change and say the application of the partnership principle has deteriorated, often lamenting too formal processes and no real impact in final documents.

Drawing on the reasons put forward to justify their response we can identify the following trends:



Emerging trends on the application of the partnership principle in cities

- In countries where the role of cities is clearly recognized there are good outcomes and continuous improvements
- Involving cities as managing authorities and intermediary bodies, as well as developing dedicated OPs for cities promotes real partnerships
- Main challenges are related to consultation processes and feedback mechanisms
- There are important political influences on partnership and programmes design
- There is an expectation for continuous improvement in the partnership principle and consultation design

In countries where the role of cities is clearly recognised there are good outcomes and continuous opportunities for improvements.

In countries where the role of cities is clearly recognised, there are consistently positive outcomes and ongoing opportunities for improvement. For example, in Italy, Sweden, Finland and Czechia, where national governments have implemented clear strategies to empower cities through cohesion funds, cities report a particularly positive perception of the partnership principle's implementation. Cities like Florence and Venice feel more involved in the early stages of planning for future programming periods, experiencing a climate of trust and a mutual understanding of urban challenges.

The close cooperation between public authorities at national, regional and local levels has been recognised. The PON Metro – the dedicated operational program for metropolitan cities – has been strengthened, and the 14 metro cities are now officially invited to participate in ongoing consultations during the definition of the 2021/2027 programming phase. Similarly, Gothenburg highlights how it was included by the Managing Authority in drafting the new SUD Swedish national program for the 2021-2027 period.

Helsinki notes that the 2014-2020 ITI funding was effectively utilised, benefiting from the [Finnish 6 City Strategy](#), which provided direct support to cities and fostered a new innovation ecosystem model. A close involvement is seen as crucial for the development of place-based policies. Brno, for example, illustrates this through its participation in a 'National Permanent Conference,' continuing into the current period, with representatives of major cities, regions and LAG representatives for the CLLD

instrument. This enabled an open discussion about the territorial dimension, further supported by relevant documents, including methodological ones. Similar structures also exist at the regional level, such as Regional Standing Conferences.

Involving cities as managing authorities and intermediary bodies promotes real partnerships and brings the policy closer to citizens

Cities that play a substantial role in the implementation of cohesion funds report that this involvement translates into better policies and closer alignment with citizens' needs. The Brussels Capital Region, acting as a managing authority, is taking concrete steps to promote a strong partnership principle and robust consultations with the help of consultative bodies covering economic, social, environmental and innovation issues. Milan, serving as an intermediary body, highlights its key role in bringing projects closer to citizens by improving partner involvement in the design of their projects and using a shared approach to define each project's roadmap.

Cities like Ghent and Antwerp emphasise the importance of direct city involvement in programme selection, allowing them to strategically choose projects and optimise resource utilisation. Despite the centrally managed ERDF Flanders program, these cities had significant involvement in selecting urban projects, which were prioritised for sustainable urban development.

Main challenges are related to consultation processes and feedback mechanisms

Across various cases, formal consultations are sometimes perceived as lacking depth, and cities' contributions are not consistently considered. This highlights the need for more meaningful and transparent consultation mechanisms. Challenges in feedback mechanisms, observed in places like Malmö and Gijón, point to potential gaps in the effectiveness of communication between local entities and managing authorities. Lyon feels that its contributions during the 2021-2027 consultations were sufficient, but concerns remain about potential issues post-validation of the operational program.

Political Influences and unilateral national decisions undermine partnership and programmes design

As seen in Lyon, restrictive conditions favouring certain areas may be politically motivated, leading to disparities in resource allocation. Budapest calls for mechanisms to address these disparities and create enabling conditions for Member States that do not respect partnership and proportionality in decision-making.

In the 2021-2027 financial perspective, Warsaw highlights that overly general regulations regarding territorial instruments have led to problems in interpreting some issues at national institutional level, which was used to limit the role of municipal/local government authorities in implementing instruments like the ITI. Similarly, Prague and Tallinn report challenges due to national decisions that limit their ability to prioritise local developmental needs or advance local objectives, such as green deal initiatives.

There is an expectation for continuous improvement in the partnership principle and consultation design

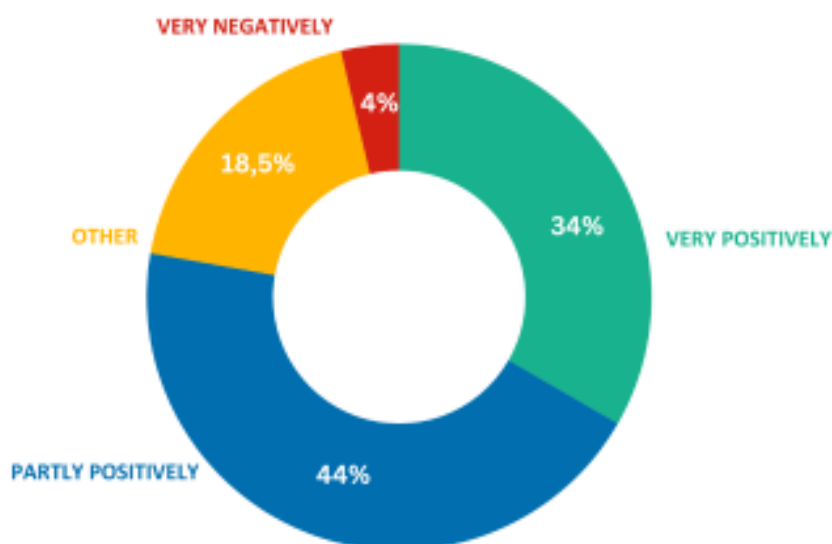
Cities advocate for continuous improvement in the partnership principle, calling for revised legal frameworks, enhanced communication, and more effective, inclusive decision-making structures. There is recognition of policy learning from national authorities and the impact of improved multi-level governance. Cities also recommend involving city representatives in early policy design and strengthening multi-level governance.

Lastly, cities emphasise the importance of participating in national debates around the post-2028 cohesion policy framework, expecting structured consultations that bring urban authorities to the table. This engagement is seen as crucial for ensuring that cities' voices are heard, and their needs are met in future policies.

4 Impact of COVID-19 on implementation

Figure 6: Evaluation of the flexibility provided during the pandemic

12. Covid 19 and Multi-level Governance: How would you evaluate the flexibility provided during the pandemic and the new emergency programmes?



The impact of COVID-19 on the implementation of the 2014-2020 cohesion policy period was profound. The European Commission recognised the unprecedented challenges posed by the pandemic and responded by introducing a suite of emergency measures, programmes and schemes designed to offer increased flexibility and additional resources to implementing authorities. The cities' assessment of these measures reveals a mixed response. Many cities see the flexibility as only partly positive (44%), while a significant number view it very positively (34%). Only a minimal number report a very negative perception (4%).

Several key trends emerged from the cities' experiences during the pandemic:

- **The emergency programmes⁶ (REACT-EU, CRII, CRII+) were generally supportive to cities' needs:** Cities like Nantes, Malmo and Venice highlight the crucial support received by REACT-EU to respond to critical challenges. Thanks to CRII and CRII+, Prague, for example, utilised CRII and CRII+ funds to offer working capital loans to businesses during the initial COVID-19 wave, aiding in various emergency interventions including financial support for renting for families, services for homeless people and licensing for remote working.
- **The simplification of procedures was supportive but bureaucracy remained a challenge:** While cities like Gijon appreciated the efforts to simplify procedures which facilitated faster

⁶ Emergency programs include:

fund implementation, other cities pointed out that delays in regulatory documentation and discussions were sometimes poorly balanced or inadequately implemented with regional and local authorities.

- **The flexibility allowed cities to work in new ways and tackle emerging needs:** The increased flexibility allowed cities like Milan and Malmö to adopt new working methods that improved coordination, facilitated successful project adjustments and met urgent needs effectively. Milan, in particular, highlighted effective coordination between national and local levels that helped in rescheduling projects and managing their monitoring. Similarly, cities like Ghent and Bologna welcomed the extended spending deadlines for emergency funds, recognising the need for adaptability due to the pandemic's impact on project progress.
- **The emergency context resulted in some centralisation of decision-making:** Budapest noted a trend where national governments used the flexibility offered by emergency measures to centralise some investment decisions, often without sufficient local involvement. Additionally, some policies implemented during the emergency were not always aligned with the immediate needs of the territories, leading to discrepancies in effectiveness.
- **The crisis highlighted limited administrative capacity to respond to crisis:** Terrassa pointed out that the support for local administration during the pandemic was limited, highlighting potential gaps in collaboration and resource allocation necessary for an effective crisis response.
- **Flexibility had an impact on long-term strategies:** Rotterdam appreciated the flexibility incorporated during the pandemic but emphasised the importance of maintaining a focus on long-term strategies. This focus is vital for ensuring that cohesion policy and local development are not solely reactive but also strategically forward-looking.

4.1 Interactions with the EU Recovery and Resilience Facility

As cities navigate the implementation of the 2021-2027 period, they face significant challenges in the post-pandemic context. The implementation has been severely delayed, and cities along with implementing authorities have largely prioritised the funds from the Next Generation EU recovery plan, provided through the plan's Recovery and Resilience Facility (RRF), which necessitates expenditure by 2026. Experts have raised concerns about potential competition between the programmes, hinting at a possible cannibalisation of cohesion policy by the RRF. The latter, despite its shorter lifespan, appeals to cities due to its less bureaucratic and reporting-intensive nature. In this

context, Eurocities carried out an in-depth assessment of the impact of the EU recovery plan in cities.⁷ The evidence shows that the RRF present many burdensome implementation challenges.

When asked about their perception of the potential synergies and complementarities between the funds, cities' perceptions vary widely. Some cities see positive potential for complementarity, suggesting that strategic alignment with local needs could enhance the effectiveness of both funding programs. However, the majority express concerns about potential overlaps, with cities like Lyon, Florence, Budapest and Braga emphasising the need for a clear demarcation and strategic resource concentration to prevent duplication.

Key challenges in parallel implementation include:

1. Organisational and administrative challenges:

- Milan points out the organisational challenge of managing numerous resources within a tight post-pandemic timeframe. While pre-existing organisational models from cohesion policy with dedicated operational programs for cities facilitated the process, the absence of Technical Assistance tools, which are available for cohesion policy, was noted as a challenge.
- Bologna emphasises the importance of implementing cohesion policy and the Recovery and Resilience Facility in parallel to realise projects that could benefit from multi-fund investments and comprehensive initiatives.

2. Overlap and bureaucracy:

- Several cities, including Lyon, Florence, Budapest and Braga, highlight the potential risks of overlapping topics and bureaucratic hurdles, suggesting a need for clearer demarcation and streamlined management processes.
- Nantes reports that handling files from 2014-2020 and 2021-2027 simultaneously due to COVID-19, including React EU and RRF, put a significant burden on administrative resources.
- Florence also highlights the challenge of capitalising on new funding opportunities, noting that cities with well-staffed EU funds offices were better positioned to manage and leverage these opportunities effectively.
- Taranto and Braga echo these concerns, with Braga noting that delays in past programming and the RRF have caused significant delays in starting 2021-2027 operational programs.

3. Aligning timelines and managing delays:

- Cities like Rotterdam and Tallinn face difficulties due to differing timelines, stressing that planning should account for potential market overheating and centralisation issues.

⁷ For more information see here Eurocities-CIDOB publication '[Urban Recovery Watch](#)'

- Terrassa observes that the calls for the two funds have not coincided and have so far not had to be implemented in parallel.
- Central and Eastern European cities, such as Brno, Prague and Warsaw, report delays in RRF implementation, particularly due to political challenges with the European Commission. These cities note they are advancing faster and benefiting more from cohesion funds than from recovery funds, indicating a trend of centralisation, especially pronounced with RRF funds.

4. Centralisation and lack of local involvement:

- Several cities report that the RRF did not provide direct resources for cities, thus offering limited opportunities for creating synergies. Ghent notes that Flanders' calls did not direct funds to cities, leading to no direct experience with RRF/REACT-EU implementation.
- Frankfurt and Malmo highlight that no direct funding for cities was provided through the RRF, highlighting the lesser opportunities for cities and multi-level governance compared to cohesion funds.
- Rotterdam points out the centralisation of the RRF, run by the national government along national policy lines, contrasting with cohesion policy, which follows regional operational programs and RIS3 strategies.

4.2 EU Budget mid-term review: making cohesion policy more resilient

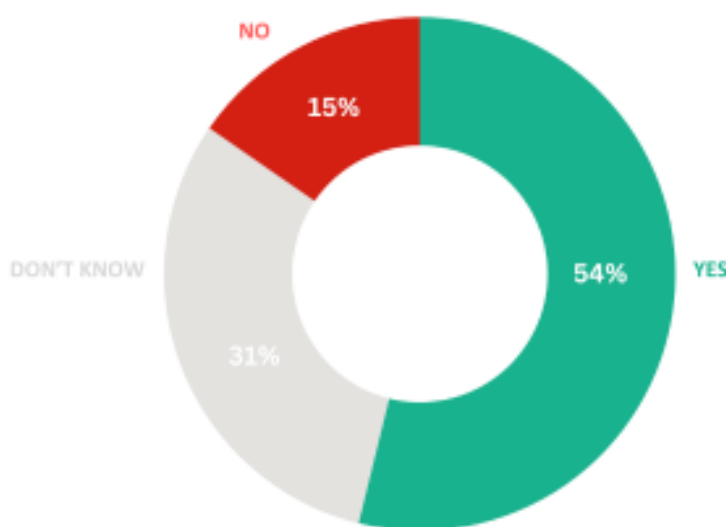
EU institutions finalised the mid-term review of the EU budget at the end of 2023. This review was particularly significant as it had to account for the changes brought about by the pandemic and energy crises. In this context, we had asked our cities to highlight their key priorities to bring forward in the debates and that were eventually only partially considered. These included:

- **Defending cohesion policy and its urban dimension in revisions:** Cities emphasised the importance of defending cohesion policy allocations during the ongoing revisions. They stressed that delays in spending should not be used as a pretext to reallocate these resources from cities to other priorities. The review should have considered new challenges faced by cities, such as energy investments, energy poverty and refugee support.
- **Inflation and top-up considerations:** Several cities, including Gijon, Terrassa, Milan, Taranto, Stadt Frankfurt am Main, Arezzo and Brussels, raised concerns about inflation. They expressed the need for additional funding to address the rising costs, particularly in procuring materials. Riga highlighted the impact of inflation on both ongoing and planned investment projects, especially large-scale infrastructure initiatives.
- **Need to review the EU budget and its rules to adapt to new contexts:** Flexibility in the budget is crucial, particularly for regions or areas hit by severe shocks. Cities facing climate emergencies, for example, asked to be able to reallocate resources for adaptation measures swiftly and efficiently.

5 Cities' perception of sustainable urban development and urban earmarking

Figure 7: Cities as beneficiaries of SUD and urban earmarking

17. Sustainable Urban Development (SUD) and urban earmarking: Has your city been benefitting from the earmarking for cities and SUD?



Most of the cities responding to our survey have benefited from urban earmarking. However, this means very different things in different national contexts, mainly depending on the total level of cohesion resources, how the national level decided to interpret 'urban,' and which areas to prioritise.

Among those who have not benefited, Arezzo and Braga highlight that their governments prioritised a limited number of cities: The 14 metropolitan cities in Italy and the two larger cities in Portugal. Tallinn notes that it has not benefited due to a lack of recognition at the metropolitan level by the central government. A few respondents indicated uncertainty or lack of knowledge, even though desk research confirms their status as beneficiaries, suggesting an unclear understanding of urban earmarking among some cities.

Based on the survey responses and additional desk research, we divide cities into two major recipient groups based on the level of resources they receive and the impact on local development. While population size and the type of cohesion region tend to correlate with the level of support, this does not fully justify the differences in resource allocation, suggesting that national decisions on resource distribution remain relevant.

Group 1: Major recipients:

- High-level resources and integrated approach (40+ million euros): Rotterdam, Milan, Nantes, Florence, Budapest, Brno, Bologna, Venice, Prague, Warsaw, Brussels Capital Region, Barcelona.

- Medium-level resources and focused intervention (15-40 million euros): Rennes Metropole, Nantes, Barcelona.

Group 2: Minor recipients:

- Limited level resources and very focused intervention (3 to 15 million euros): Gijon, Malmo, Ghent, Helsinki, Gothenburg, Taranto, Lyon.
- Very limited level or unclear level of support (3< millions of resources): Arezzo, Frankfurt, Tallinn, Terrassa, Riga, Braga.

5.1 Cities with high to medium levels of support: Topical examples, lessons learned and implementation challenges

These cities received substantial resources and support. However, when considering per capita allocation, the resources per person vary significantly.

- **Brno:** In the past programming period, Brno received over 200 million euros through the Integrated Territorial Investment (ITI) instrument. This allowed the city, an intermediary body, to invest resources at the metropolitan level in line with its long-term strategy. Additionally, local entities such as the mobility company, energy company, and university received significant support. Brno is implementing another ITI in the new programming period with even more resources.
- **Milan:** Benefited from the PON METRO, a national operational programme for 14 metropolitan cities, receiving a total of EUR 122.2 million. Investments were made in six key areas: digital metropolitan agenda, urban mobility sustainability, social inclusion services, infrastructure for social inclusion and technical assistance. React-EU funds supported green, digital and resilient recovery as well as social, economic and occupational recovery.
- **Rotterdam:** As a managing authority, Rotterdam developed an ITI of about EUR 45 million from ERDF and ESF, aiming at a low-carbon economy, employment support and social inclusion. Substantial resources also went to local universities and the airport.
- **Barcelona:** Received close to EUR 37 million for urban regeneration in specific neighbourhoods, improving access and connectivity, building bike lanes and enhancing the business and economic fabric. The Barcelona Metropolitan Area received an additional EUR 60 million.
- **Nantes:** Received around EUR 24 million for multimodal/sustainable mobility, energy retrofitting, urban development and biodiversity projects. Beyond those resources received for the urban earmarking primarily distributed to the Metropole and, to a lesser extent, to the city, significant financial support reached the local university and chamber of commerce.

Lessons learned and challenges highlighted by cities implementing these funds

- **Simplification trade-offs:** Cities like Rotterdam as managing authorities highlight improvements but note persistent complexity in programming and funding applications. Prague cites issues with national rules and the focus on documentation rather than project impact.
- **A dedicated national operational programme for cities is a good model to providing a simplified framework:** Italian cities benefiting from the PON Metro, like Milan, find the alignment of procedures among metropolitan cities useful, suggesting improvements by adopting simpler models and shared rules for project monitoring. Florence notes the additional burden of complying with EU and national rules.
- **Despite the many advantages ITI can have complex coordination costs:** Brno faced challenges coordinating ITI with multiple municipalities. While representativeness is crucial, more flexibility is needed.
- **Cost simplification and simplified reporting process:** Intermediate bodies like Bologna emphasise the need for simpler reporting processes for external beneficiaries.
- **EU rules undermining the procurement process for cohesion investments:** Prague calls for a revision of state aid rules to improve the procurement process for cohesion investments.
- **Calling for a more consistent EU approach to Sustainable Urban Development:** Warsaw advocates for involving city authorities more closely in programming SUD solutions and clearly defining their role to avoid interpretation issues.
- **Administrative capacity:** Only a minority of cities in this group felt they had enough administrative capacity, while the majority indicated only partial capacity.

5.2 Cities with limited to very limited level of support: Topical examples, lessons learnt and implementation challenges

These cities receive relatively limited resources and focus on a small number of interventions.

- **Gothenburg:** Received around EUR 2 million to support city innovation and entrepreneurship with a focus on climate neutrality. Beyond limited urban earmarking, local actors, like the university, received significant financial support.
- **Taranto:** Received EUR 5 million as an intermediate body for urban earmarking, with additional resources indirectly supporting sustainable mobility, the local port, health providers, school renovations and museums.

Lessons learned and challenges highlighted by cities implementing these funds

- **Bureaucratic burdens for small beneficiaries too big requiring a different approach:** Cities like Gothenburg, Malmo and Ghent highlight high bureaucratic burdens for small beneficiaries, with low returns on investment. Ghent emphasises the need to balance resource size with administrative burdens.
- **Small funding does not promote integrated investments:** Helsinki notes that small overall budgets lead to insufficient funds for metropolitan areas, resulting in scattered initiatives.
- **Too complex procurement for small projects:** Riga stresses the need for broader definitions of eligible costs and better understanding from controlling authorities to implement complex projects effectively.
- **Administrative capacity:** As was the case in the previous group, only a minority of cities in this group felt they had enough administrative capacity, while the majority indicated only partial capacity.

Support to urban ecosystem beyond dedicated earmarking

Based on additional research carried out through the [cohesion data platform](#), we observe that cities have benefited from cohesion funding (ERDF, CF, ESF+) well beyond their urban earmarking received through ERDF. This is no surprise, as the European Commission estimated that in 2014-2020, investment in urban areas amounted to around EUR 115 billion, corresponding to more than 20% of the total funding.

Other city administrations, most notably institutionalised metropolitan cities, are also beneficiaries of cohesion funding. At the same time, cohesion funding supports various local actors operating in the city. This includes city-controlled agencies and utility companies, with investments focused on mobility, energy, housing, urban and school regeneration, and waste management. It equally includes significant investments for local universities, focusing both on research and innovation (R&I) as well as social inclusion, and investments in training and upskilling, generally operated by local business associations or NGOs.

From a business perspective, some companies particularly important for the local economy (e.g., local ports and factories) are sometimes beneficiaries of investments. Lastly, support is provided to NGOs supporting integration and social inclusion actions. Support to these local actors is prominent among all cities (across all four groups), with clearly more support to those areas already receiving significant support. For them, the support to local actors is very significant.

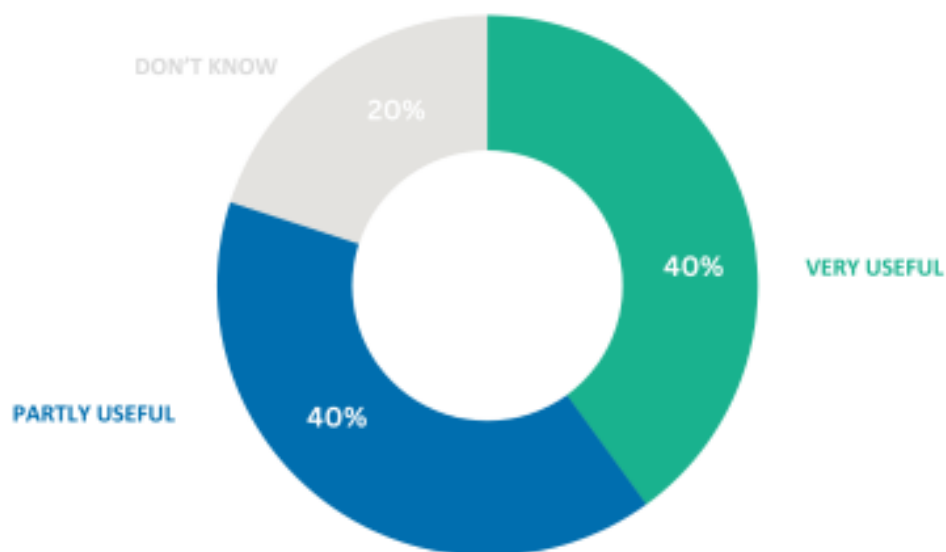
- **Milan:** Universities receive close to EUR 100 million, other key actors such as the residential company ALER receive EUR 10 million, and the metropolitan city receives another EUR 20 million.
- **Barcelona:** The university receives close to EUR 40 million, the Barcelona Supercomputing Centre EUR 70 million, and the hospital EUR 60 million.
- **Ghent:** A city that receives very little direct support from ERDF, Ghent benefits significantly from resources for other local actors, such as the local university, Universiteit Gent, and the urban development agency. Additionally, ESF resources support the local employment agency.
- **Gijon:** Receives around EUR 3 million for local industry to convert and become greener, along with EUR 1 million for training in the Chamber of Commerce.

6 Sustainable urban development strategies and delivery instruments: Perception and added value

Developing sustainable urban development strategies is a key pillar of the urban dimension of cohesion policy and a prerequisite for it. A prerequisite to access funding, these strategic documents aim to encourage city authorities to put the emphasis on integrated and place-based approaches to territorial development, multi-sectoral policy and citizen's engagement, among others. The perception of the process of developing these strategies is generally positive.

Figure 7: Perception of cities on SUD strategies

22. Sustainable Urban Development (SUD) strategies: Do you find the process of developing sustainable strategies useful?



Among the more positive, Ghent highlighted its practice of compiling a strategic policy plan every six years, making it well-acquainted with urban strategy development. Similarly, cities like Florence and Lyon praised the importance of the process for creating a clear framework and roadmap for local public policies. Brno and Venice emphasised the importance of the co-design process, pointing to the added value of building trust and establishing a cooperative framework with all stakeholders involved.

Rotterdam noted improvements in the process during the 2021-2027 period, allowing for a more agile approach. Conversely, Warsaw pointed out challenges due to interpretation issues regarding the European Commission's requirements for strategic documents for cities and metropolises. As a result, the Warsaw metropolis needing to prepare three parallel documents to benefit from EU funds. Helsinki

found the process interesting but highlighted that the effort might be too high considering the very small amount of support, with 40% being self-financed.

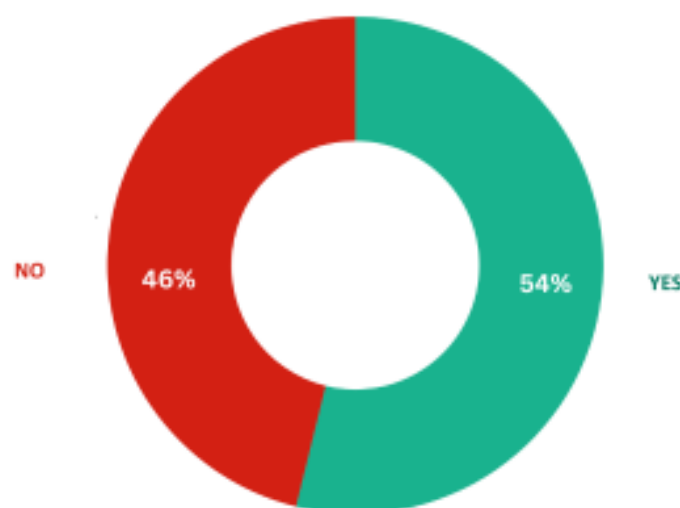
Cooperation with the Joint Research Centre (JRC) of the European Commission has provided significant added value for sustainable urban development. In this context, the [Handbook for Sustainable Urban Development \(SUD\)](#) developed by the JRC has been referenced as an important resource for cities in shaping their urban development strategies. This comprehensive guide supports cities by providing best practices, frameworks and tools necessary to design, implement, and monitor effective sustainable urban development policies.

6.1 Integrated territorial investments and Community Locally led development in cities

The uptake and use of instruments such as Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD) vary significantly across cities. More than half of the cities have used these instruments and generally report positive experiences. ITIs enable integrated and multi-fund approaches to urban development, facilitating comprehensive projects that address various local needs simultaneously. CLLDs empower local communities to lead development initiatives, ensuring that projects reflect local priorities and foster inclusive, sustainable growth.

Figure 8: ITIs and CLLDs in cities

24. ITIS and CLLD: Have you used integrated territorial investments or CLLD in your 2014–2020 strategy?



Brno highlights their very positive experience with ITI, noting how it supports synergies and complementarities of projects, enabling integrated solutions. Similarly, Warsaw emphasises that their ITI facilitated substantial metropolitan cooperation and marked a significant shift in addressing the potentials and needs of local governments of various scales. Nantes and Lyon also report positive experiences with ITIs in their territories. Riga, despite appreciating the local determination and

selection of projects, notes implementation issues where only basic infrastructure projects were realised.

On the more critical side, Ghent points out that the ERDF Flanders Programme is relatively small, requiring difficult choices. They echo concerns from the Handbook on SUD about the risk of strategies losing their long-term vision due to operational demands. Gothenburg expected earlier involvement of urban authorities in the process of developing the ITI.

Rotterdam is the only respondent that implemented urban CLLD, highlighting the complexity of managing multi-fund CLLD projects (ERDF and ESF), while praising the participatory approach and the possibility for wider development strategies.

When asked about continuing with these instruments in the current programming period and expected changes, most cities plan to maintain their approach with some adjustments, generally in response to national and regional policy shifts.

- **Brno:** Plans to continue with ITI but without the city as an intermediary body to avoid duplication, focusing instead on strategic projects covering more sectors and territories.
- **Ghent:** Welcomes the 2021-2027 regulation allowing the development of a new ITI based on an existing strategy, avoiding starting from scratch. However, they note that the ERDF Flanders no longer has a separate priority for sustainable urban development. The chosen priorities (smart Europe and green Europe) and the cohesion implementation do not align well with local challenges, complicating ITI development. This highlights the importance of operational programmes considering SUD principles, such as mandatory separate priorities and active city involvement.
- **Riga:** Points out that the national policy approach has changed. While investment projects in functional areas are supported, it remains uncertain if this will improve their previous difficult ITI experience.
- **Warsaw:** Will continue with ITI but faces challenges due to changes in the NUTS classification, expanding the ITI to cover the entire new NUTS 2 region (Warsaw-Capital Region) with 70 communes. This significantly increases the territorial scope while reducing EU funding. Mobility projects will remain a primary focus.
- **Lyon Metropole:** Will no longer have an ITI due to a unilateral decision by the regional managing authority to separate support for urban and rural areas. As a metropolitan area, Lyon Metropole cannot present projects, as only municipalities are eligible.

7 Fit for the future? Cohesion policy supporting urban transformation

As the debate on the future of cohesion policy gains traction in 2024, cities are reflecting on whether the current tools and instruments are suitable to deliver local objectives and support urban transformation. When asked about their opinion, most cities (56%) highlight that these tools are only partly fit for purpose, while another significant group (36%) responded affirmatively. Only a small group (8%) considers them unfit for purpose.

This is no surprise. As mayors highlighted in the Eurocities Pulse Mayors Survey 2023, it is clear that EU funding, and cohesion policy in particular, is helping mayors to somewhat cover the huge financial gaps for climate and energy investments. Nevertheless, more investment is needed not only for climate investments but especially for social policies, such as housing and the inclusion of refugees, migrants, ethnic minorities, and people with disabilities.

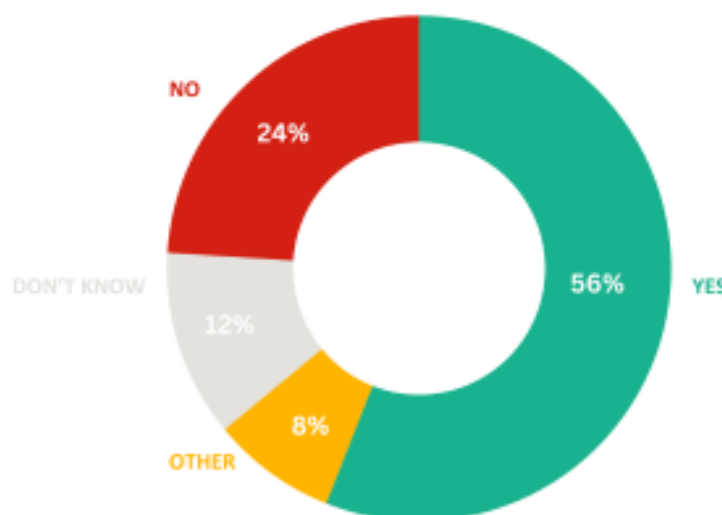
Despite acknowledging the importance of these instruments in supporting large transformations in specific areas, Rotterdam highlights that the available budgets are insufficient compared to the substantial investment needs for urban transformations. Warsaw and Brno share this view, noting that the current funding does not address structural needs and is still seen as a pilot rather than a comprehensive solution for urban and metropolitan challenges.

Other cities, such as Budapest, Prague and Malmö, highlight that cohesion funding is still considered too fragmented, with different programs and rules making it difficult to develop multi-fund solutions for integrated actions. Riga points out that national interpretations of the policy can negatively impact the scale of action needed for urban transformation, which in their case should be addressed at the metropolitan level.

Tallinn emphasises that the current EU cohesion policy support does not meet the financing needs of cities at the forefront of delivering EU climate and energy goals while also facing growing social issues such as access to affordable housing. Tallinn suggests that a separate EU financial support instrument would be more suitable, allowing for a more strategic and integrated investment approach, providing more financial means, and reducing administrative burdens and fragmentation.

Figure 9: Direct funding for cities

29. Direct Funding: Would you like to see more direct funding coming through Cohesion Policy or are you satisfied with the current earmarking approach?



Cities often point to the need for more direct funding from the EU. When asked whether they would prefer more direct funding through cohesion policy or are satisfied with the current earmarking approach, the responses are nuanced. While most cities would like the earmarking approach replaced with direct funding (56%), a consistent group of cities is satisfied with the current approach.

The reasons for preferring more direct funding vary. Gothenburg and Terrassa highlight that it would be more agile and easier for city administrations, saving efforts in competing for funding and advocating support needs with the national government. Similarly, Lyon Metropole points out challenges in coordinating with the managing authority, which can exclude specific themes. For Warsaw, direct funding would avoid problems in fund programming, including issues related to managing and intermediary institutions that may have different development priorities. Budapest perceives that the partnership principle is often abused, with national governments imposing development plans detached from the vision of locally elected leaders.

While Ghent supports direct funding, it stresses that the management conditions must be tailored to cities' capacities (e.g., audit trails, state aid). Frankfurt notes potential challenges with a direct funding scheme, such as difficulties in deciding allocation criteria and issues arising from a competitive approach similar to the European Urban Initiative.

Cities satisfied with the current delivery mode include those with dedicated national operational programmes for cities (Italy), those acting as managing authorities (Rotterdam, Brussels), or those successfully using ITIs (Brno). Rotterdam, for example, notes that for a city acting as a managing authority or an intermediate authority running an ITIs, the current system effectively works as direct funding.

1.1 Conclusions and next steps

The report presented is a first step towards a better understanding of the urban dimension of cohesion policy and its implications for cities.

As highlighted in the Eurocities manifesto ahead of the 2024 elections, cities expect more from the European Union to provide them with the capacity to act and foster urban transformations. Cohesion policy, with its unique support for urban development, is one of the key tools that can support this. Local authorities with the capacity and capabilities to tackle complex challenges are a significant lever for change and Europe's societal transformation and resilience going forward. Cities must be empowered to develop sustainable and reliable investment strategies, including by ensuring adequate administrative and financial capacity to drive urban transformation.

By putting the spotlight on the urban dimension of cohesion policy and gathering evidence on how these funds are being implemented locally, Eurocities aims to contribute to the debate on the future of EU budget to ensure it matches the needs of cities. In this context, through the Eurocities working group on cohesion policy, cities will continue to assess and develop knowledge around this important policy and institutional innovation. This will be instrumental in developing evidence-based recommendations to contribute to the debate on the future of cohesion policy.

With the support of research partners and building on members knowledge, Eurocities will be looking at:

- Comparing different governance models to deliver the urban dimension of cohesion policy and assessing their effectiveness in supporting public investments in cities.
- Evaluating how the urban dimension of cohesion policy contributes to institutional innovations, stronger administrative capacity, and better alignment at the city level and between government levels on urban issues.
- Developing evidence on how the urban dimension of cohesion policy contributes to city long-term agendas and the localisation of EU priorities (e.g., the European Green Deal and the European Pillar of Social Rights) and how it can evolve to meet new needs.
- Creating an overview of the interaction between the urban dimension of cohesion policy, other EU funding programmes, and the EU and national frameworks for public investments (EU economic governance framework).