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POLICY DEPARTMENT
STRUCTURAL AND COHESION POLICIES **B**



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**TERRITORIAL
GOVERNANCE AND
COHESION POLICY**

STUDY





DIRECTORATE-GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

REGIONAL DEVELOPMENT

**TERRITORIAL GOVERNANCE
AND COHESION POLICY**

STUDY

This document was requested by the European Parliament's Committee on Regional Development.

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REGIONAL DEVELOPMENT

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Abstract

Territorial governance is a relatively new and complex concept. It brings together the place-based approach and multi-level governance.

This analysis supports the understanding of territorial governance, mainly with regard to EU Cohesion Policy. Depending on the institutional and political context, as well as past experience, territorial governance in Cohesion Policy can have different forms. In all cases, stakeholders must have institutional capacity.

CONTENTS

EXECUTIVE SUMMARY	9
INTRODUCTION	13
1. PUTTING TERRITORIAL GOVERNANCE INTO CONTEXT	15
1.1. Understanding territorial governance	15
1.2. Policy relevance	19
1.2.1. Europe 2020 strategy	19
1.2.2. Territorial Agenda 2020 and Urban Agenda	21
1.2.3. Cohesion Policy	22
1.2.4. Sectoral policies	25
2. ASSESSING TERRITORIAL GOVERNANCE IN POLICY IMPLEMENTATION PROCESSES	29
2.1. Evolution and perspectives of the relationship between territorial governance and Cohesion Policy	30
2.1.1. Challenges for strengthening the place-based approach	31
2.1.2. Potential improvement for governance	32
2.1.3. No real improvements for the strategic dimension	33
2.2. Relevance of diverse institutional systems for territorial governance	34
2.2.1. Institutional context matters	34
2.2.2. Legacy matters	35
2.2.3. Individuals can make a change	37
2.2.4. Modes of governance	38
2.3. Necessary (institutional) capacity building	38
2.4. Nice to know. So what?	40
2.4.1. Pros and cons	41
2.4.2. Future needs	42
3. CONCLUSIONS AND RECOMMENDATIONS	43
3.1. Always start from the needs	43
3.2. Foster diversity of territorial governance arrangements	44
3.3. Foster a new culture in the public sector	44
3.4. Empower driving individuals	44
3.5. Advocate territorial governance	45
REFERENCES	47

LIST OF ABBREVIATIONS

CF	Cohesion Fund
CLLD	Community-Led Local Development
CoC	Code of Conduct (on Partnership)
CoR	Committee of the Regions
CPR	Common Provisions Regulation
DG REGIO	Directorate General for Regional and Urban Policy
EAFRD	European Agricultural Fund for Rural Development
EMFF	European Maritime and Fisheries Fund
EMU	Economic and Monetary Union
ERDF	European Regional Development Fund
ESIF/ESI	European Structural and Investment Funds
Funds	
ESF	European Social Fund
EU	European Union
EUSAIR	EU Strategy for the Adriatic and Ionian Region
EUSALP	EU Strategy for the Alpine Region
EUSBSR	EU Strategy for the Baltic Sea Region
EUSDR	EU Strategy for the Danube Region
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale (Links between the rural economy and development actions)
ITI	Integrated Territorial Investment
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OP	Operational Programme
TA2020	Territorial Agenda 2020

LIST OF TABLES

TABLE 1		
Territorial relevance and territorial perspective of EU policies		26
TABLE 2		
Territorial governance dimension of selected regulatory changes		31
TABLE 5		
Benefits and challenges of territorial governance		41

LIST OF MAPS

MAP 1		
European Quality of Government Index, 2013		36

LIST OF FIGURES

FIGURE 1		
ESPON's Rubikube of territorial governance		17
FIGURE 2		
'Top-down' and 'bottom-up' elements of energy policy in Prignitz-Oberhavel		21
FIGURE 3		
Rules of the game for territorial governance		40

EXECUTIVE SUMMARY

Background

The Committee on Regional Development (REGI) of the European Parliament has commissioned an in-depth analysis in preparation of a workshop on 'Territorial Governance and Cohesion Policy'.

Governance is an essential element of Cohesion Policy architecture, due to the fact that the interplay among diverse decision makers at different territorial levels and among a wide range of stakeholders is a key component of policy implementation effectiveness. Multi-level governance has for some time been an important principle of Cohesion Policy. Along with the partnership principle it has been enhanced in the regulations for the 2014-2020 programming period. Territorial governance as a notion is not specifically defined, neither in the general literature nor in the Cohesion Policy legislative framework, but policy actions need to clearly take into account the specific context of each Member State. As stated in Article 4.4 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council (Common Provisions Regulation (CPR))¹ : 'Member States, at the appropriate territorial level, in accordance with their institutional, legal and financial framework, and the bodies designated by them for that purpose shall be responsible for preparing and implementing programmes and carrying out their tasks, in partnership with the relevant partners referred to in Article 5, in compliance with this Regulation and the Fund-specific rules.'

Aim

A better understanding of challenges that arise during policy implementation requires going beyond the specific multi-level governance elements embedded in the legislative framework of EU Cohesion Policy. The aim is to provide an analysis of the territorial governance concept and its links to EU Cohesion Policy as well as to shed light on how this concept is applied in EU Member States and regions. The insights in this analysis provide input for current debates on territorial development and governance in European regions.

Key findings

This analysis discusses different understandings of territorial governance and highlights **three dimensions** that are crucial:

- stressing the territorial or place-based dimension of policy-making, i.e. reflecting the territorial specificities of the area concerned;
- bringing together players from different sectors and levels of governance;
- looking at the situation strategically and considering the long-term ramifications in order to achieve societal objectives.

Taking these as a point of departure, territorial governance is important for the targeted and result-oriented implementation of EU Cohesion Policy, the Europe 2020 strategy, the Territorial Agenda 2020 (TA 2020) and the Urban Agenda. For Cohesion Policy in particular, the shared management system, the partnership principle and territorial instruments such

¹ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

as Community-Led Local Development (CLLD) and Integrated Territorial Investment (ITI) are the basis of territorial governance.

Changes in the regulatory framework of Cohesion Policy concerning the three dimensions of territorial governance (see above) lead to the following **conclusions**:

- Compared with the previous programming period, the 2014-2020 period offers additional potential to strengthen the place-based approach. This originates mainly from a stronger focus on the partnership principle, the earmarking of 5% of ERDF resources under the Investment for growth and jobs goal for integrate actions for sustainable urban development and to some degree also from the new territorial instruments CLLD and ITI. However, the actual effect of CLLD and ITI will be marginal, since they are not widely used by Member State programmes.

At the same time the increasing focus of fund allocation via national programmes is challenging for regionalised territorial governance processes and place-based approaches to regional development.

- The regulatory changes also offer potential for strengthening the multi-level governance dimension of EU Cohesion Policy. In addition to the points mentioned above, this comes mainly through better coordination between different funds; European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development EAFRD, European Maritime and Fisheries Fund (EMFF) and multi-fund programmes.

At the same time, the new thematic concentration challenges a governance approach that tries to bring together a wide range of players, which is important for the development of a territory.

- Despite a stronger focus on linking ESI Funds to policy agendas and in particular Europe 2020, the regulatory framework does not assist the strategic dimension of decision-making. In particular, indicator-driven result orientation is expected to focus decisions on short-term investments to ensure that targets are reached. Long-term or higher risk-levels investments will probably be avoided to not endanger delivery on key indicators.

There is no 'one-size-fits-all' approach for working with territorial governance and strengthen territorial governance in EU Cohesion Policy. Territorial governance is not linked to any specific institutional setting. It encourages players to stretch beyond existing institutional frameworks. Given its flexible approach, territorial governance can work in all institutional systems of EU Member States. However, the way territorial governance is implemented and exercised depends on the institutional context and existing governance legacies and it usually takes time to change governance cultures. Nevertheless, change can be brought about and in many cases depends on individuals. In practice it is often one individual who steps up, identifies the need for doing things in a more innovative manner and facilitates the process of collaboration and coordination. The individual 'kick-starting' of territorial governance processes is usually carried out by either a political representative or a civil servant. It may also be an individual from civil society or the private sector with the necessary network of contacts.

Critics argue that territorial governance processes are very complex and therefore decision-making can take a lot of time, requiring a lot of administrative capacity and results in compromises which are not necessarily the best possible outcome.

Some **general conclusions and recommendations** for strengthening territorial governance are:

- **Always start from the needs:** EU and national policy frameworks can stimulate the development of territorial governance processes. At the same time 'bottom-up' governance processes need to originate from local development needs or ambitions. Starting with the needs or issues to be solved indicates that there are different roles for different players and that the arrangements and division of labour may differ depending on the policy or issue at stake.
- **Foster diversity of territorial governance arrangements:** When it comes to territorial governance, there is no 'one-size-fits-all'. There are many approaches to territorial governance, depending on the issue at stake and the stakeholders with influence. Since the development and governance context is decisive in determining who should be involved and when, there will always be a huge variety of approaches.
- **Foster a new culture in the public sector:** Strengthening territorial governance 'requires moving from a compliance-oriented to a more a result-oriented attitude of all the partners and in particular the leading one'. (European Commission 2015a:34, Vol. I) In other words, the public sector needs to shift towards an entrepreneurial attitude to solve new or unexpected problems that require innovative solutions.
- **Empower driving individuals:** No single stakeholder is designated to drive territorial governance processes. Consequently, there is no defined 'right' to initiate or change territorial governance processes. Change is usually brought about by passionate individuals, who take the initiative and cooperate. Individuals with good networks and a broad understanding of governance in the particular policy field can help start the procedure. They can act as 'drivers' and draw on a wide and stable contact networks.
- **Advocate territorial governance:** In times of declining support for territorial and strategic approaches in policy making, it is important to advocate the need for, and merits of, territorial governance.
- **Ensure administrative capacity:** In many cases applying territorial governance processes successfully requires manpower and the resources to manage or get involved in the collective decision-making process.

INTRODUCTION

Territorial governance is a relatively new and complex concept. The way it is perceived and the way it is implemented may lead to misunderstandings, being sometimes considered a synonym of 'governance' or 'multi-level governance' in many policy documents.

The growing importance of territorial governance to achieve further territorial cohesion was discussed in the Green Paper on Territorial Cohesion². It is further reflected in territorial documents³ that call for a place-based, territorially sensitive and integrated approach to policies, to improve the performance of actions on all levels and to create synergies between different types of policy interventions.

This analysis aims to clarify the understanding of territorial governance. In doing so, it places territorial governance in the European policy context. This refers in particular to EU Cohesion Policy, Europe 2020⁴ and the European Investment Plan⁵. At the same time, it links the debate to the place-based approach advocated by Barca (2009) and to good governance with the ability to adapt.

Chapter 1 introduces the concept of territorial governance in relation to multi-level governance and the place-based approach. It provides a wider policy context and insights on how territorial governance is linked to EU policy agendas such as Europe 2020, the TA 2020, the Urban Agenda and EU Cohesion Policy. The chapter emphasises the place-based approach and the multi-level dimension of territorial governance.

Chapter 2 focuses on EU Cohesion Policy. It discusses to what degree the regulatory framework for the 2014-2020 programming period has improved the preconditions for stronger territorial governance in Cohesion Policy. However, it also underlines that territorial governance is not linked to any specific institutional or political system, but needs to be adapted to the systems in place. In other words, context and legacy play an important role in the design of territorial governance arrangements. In any case, the individuals involved must have administrative capacity.

Chapter 3 presents key findings and recommendations on how territorial governance can be strengthened. The focus is on conclusions at European level for influencing the framework to strengthen territorial governance. Recommendations for players working with territorial governance on the ground will differ and are documented already in various guides.

2 COM(2008) 616 of 6.10.2008.

3 See in particular the Territorial Agenda of the European Union 2020 and the Urban Agenda.

4 COM(2010) 2020 final of 3.3.2010.

5 COM(2014) 903 final of 26.11.2014.

1. PUTTING TERRITORIAL GOVERNANCE INTO CONTEXT

KEY FINDINGS

- Territorial governance has multiple dimensions building on the notions of **multi-level governance** and a **place-based approach**.
- Policy-making should be **adaptive to changing territorial contexts**.
- All relevant stakeholders from different sectors and levels should be brought together in **open, transparent and consensus-oriented processes**.
- Territorial governance should use **strategic** and **long-term** approaches to achieve **societal objectives**.
- EU **Cohesion Policy** builds on territorial governance by its **shared management approach, partnership principle** and by the inclusion of **territorial instruments**, e.g. CLLD and ITI.
- Different **sector policies** have different territorial perspectives, sensitivities and impacts. Territorial governance addresses these by being flexible and adaptive.

To discuss territorial governance in the context of EU Cohesion Policy, this section provides some background to assist in better understanding the concept of territorial governance. It places this concept in the context of multi-level governance and the place-based approach, highlighting three dimensions that are important for a structured discussion.

Territorial governance – as with governance in general – becomes a useful concept only in the context of relevant policy processes such as Europe 2020, the TA 2020, the Urban Agenda, EU Cohesion Policy, and various sectoral policies. These processes operate at different levels of governance, which is why the multi-level dimension of territorial governance needs to be emphasised.

1.1. Understanding territorial governance

Territorial governance is an increasingly used term in policy and academic debates. In many regards it is used to simultaneously underline the importance of place or territory in decision-making processes as well as the shift from government to governance and in many cases even to multi-level governance⁶. Territorial governance can be understood as an extension of the more established multi-level governance concept by adding explicitly territorial insights, and thus focusing on a place-based and territorially sensitive approach. (ESPON 2012)

Accordingly, the discussion of territorial governance is strongly rooted in discussions about multi-level governance and the place-based approach (see text box below).

6 For a detailed discussion of different understandings of territorial governance, see Stead (2014).

Box: Multi-level governance and place-based approach

Governance refers to processes of governing, by a government, market or networks, including a wide range of players influencing the decision-making process (such as lobbies, parties, and the media). It describes structured ways and means by which the diverse preferences of independent players are translated into policy choices to transform the plurality of interests into coordinated actions.

Multi-level governance describes collective decision-making processes where authority and influence are shared among players at multiple levels of governance. This may involve public and non-public societal or private sector players. 'In other words, multi-level governance describes decision-making processes that engage various independent but interdependent stakeholders. Multi-level governance does not define a model of exclusive decision-making powers nor propose stable hierarchies of authority.' (European Commission 2015b:vii)

Place-based approach focuses on place-specific long-term strategies that are elaborated in multi-level governance with a strong involvement of local elites. (Barca 2009)

Starting from these concepts, territorial governance adds an additional dimension to multi-level governance: 'The idea seemed to do justice to the role of all levels of government in the emergent European spatial planning/territorial cohesion discourse.' (Faludi 2012:4)

Taking this one step further, territorial governance can be understood as an organisational mode of territorial collective action, based on the openness and transparency of the process itself, on cooperation and coordination, both horizontally and vertically⁷, and in a framework of more or less explicit subsidiarity. (Davoudi et al. 2008)

Summing up the current state of debate, Stead (2013) identifies interrelated interpretations or dimensions underlying the notion of territorial governance:

- the promotion of participation and consensus-building among public and or private players;
- the devolution of powers and/or resources to lower levels of decision-making;
- the delivery of territorial cohesion;
- the assessment of territorial impacts and development of territorial visions

Many policy statements refer to more than one of these interpretations.

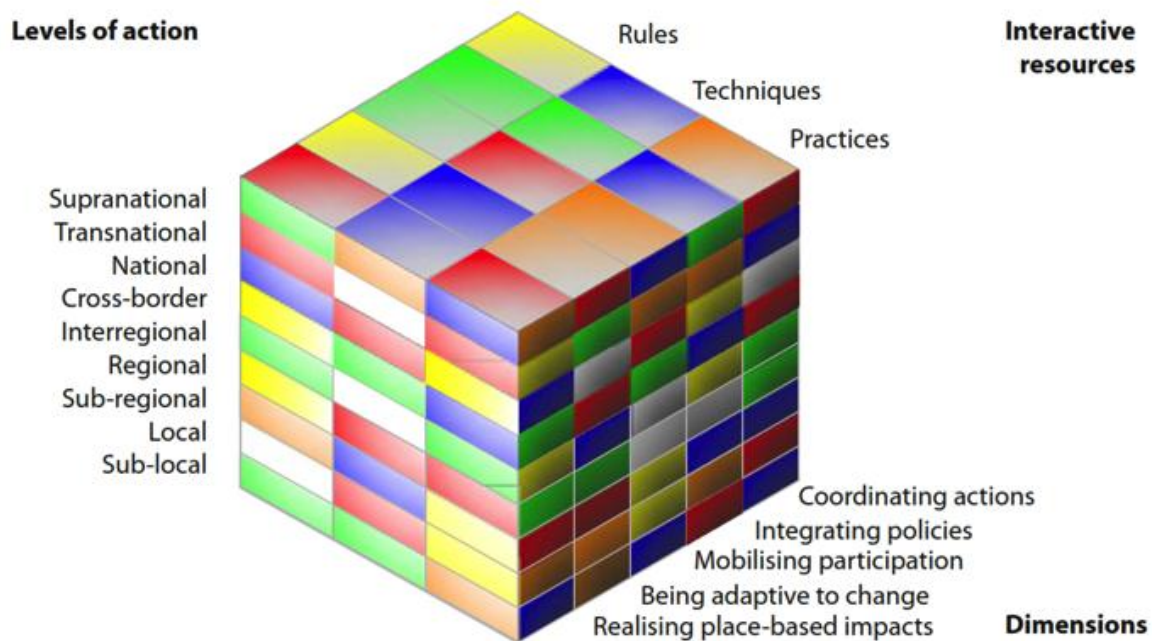
Similarly, but with a somewhat different focus, ESPON (2014) defines territorial governance through five major dimensions that describe general guidelines for action and policy making:

- coordinating actions of actors and institutions;
- integrating policy sectors;
- mobilising stakeholder participation;
- being adaptive to context change;
- realising place based/territorial specificities and impacts.

⁷ Horizontal cooperation refers to the interaction of players covering different sector policies at the same administrative level. Vertical cooperation describes the interaction of players in one sector policy across different administrative levels.

The five dimensions as suggested by ESPON can be applied at any governance level from local to European. Importantly, no single player can decide all the actions, and each player has to be aware that his/her own actions cause changes in the overall framework. Consequently ESPON brings together the five dimensions with various levels of governance and specific rules, techniques and practices of territorial governance – as illustrated in Figure 1.

Figure 1: ESPON's 'Rubikube' of territorial governance (Dimensions, levels of action and interactive resources)



Source: ESPON(2014:6)

As illustrated in the 'Rubikube', territorial governance is not linked to one specific governance level. Though the focus might differ depending on the governance level and the administrative and political structures and responsibilities in a country or region, territorial governance implies cooperation between different levels. Despite the differences due to specific government structures and tasks the different levels tend to have specific roles in territorial governance:

- **Local players** are often perceived as decisive for place-based decision-making since they understand the development needs of the area and the potential that can be mobilised. Policies cannot be implemented in line with territorial governance principles without the ownership of local level players.
- **Regional / sub-national levels** are in many cases seen as having the most potential for increased territorial governance. In fact, a wide range of case studies and practice examples focus on this level. These players do not have detailed local knowledge but they are often in a position to motivate and bring local level players from different sectors together. Because of the diversity of regional competence in Europe, there is no 'one-size-fits-all' solution for the regional level. Furthermore, regional or sub-national levels may differ significantly from country to country.
- The **national level** is regaining importance because in many parts of Europe it is strengthening its role as a central decision-making body. The delivery modes of Europe 2020 illustrate this fact. Although the European Commission has pointed out

that not all regions may or should contribute to European and national targets in similar ways, the participation of the regions is not considered in the delivery of Europe 2020. The European Semester is a partnership between the EU and the Member States, which develop their national reform programmes without necessarily reflecting on them with their regions.

- **Trans-national / macro-regional** levels receive increasing attention as levels for territorial governance. Their approaches are more oriented towards functional or natural territories rather than administrative boundaries. Thus, in an increasingly complex world with territories becoming more dependent on each other, players at transnational or macro-regional level can incorporate perspectives that show disparities or competition within their level, or lobby for their transnational or macro-regional territory.
- The **EU level** typically sets the policy framework. With regard to territorial governance, its task is to be aware of: (a) the links between EU policies; (b) the diversity of the EU territory; and (c) the different levels that may be relevant or affected. In addition, the EU level also exercises coordination responsibility for some policies under national competence, as the example of urban policy shows.

In addition, players from civil society and the private sector are important in territorial governance.

While various authors and policy makers define territorial governance in line with previous governance concepts, there has also been some criticism that multi-level governance is always territorial. Thus, territorial governance does not refer to the more comprehensive vertical understanding of governance, i.e. the inclusion of societal and private sector decision-makers. Territorial governance has also been criticised for having a one-sided orientation to nested jurisdictions – 'hard' spaces arranged according to the 'Russian doll' model – rather than taking into account the variety of 'soft' spaces that encompass the range of multi-level politics. (Faludi 2012:19–20)

Box: Synthesising dimensions of territorial governance

The discussion on the different dimensions of territorial governance can be summarised as indicated below.

- Territorial governance implies that policy making has to be place-based. Such policy making is adaptive to changing (territorial) contexts and takes place-based and territorial specificities and impacts into account.
- In territorial governance approaches stakeholders from different sectors and levels are brought together to collaborate in appropriate (multi-level) governance processes, i.e. open, transparent and consensus-oriented processes. The approach mobilises the active participation of stakeholders to coordinate the actions of players and institutions and to integrate policies of different sectors.
- There is an emphasis on strategy and long-term objectives that are oriented towards achieving overarching societal objectives. These may be related to living conditions of the population or in territorial terms to the [territorial] cohesion objectives.

1.2. Policy relevance

Beyond the conceptual discussion, territorial governance is highly relevant for the successful implementation of major European policies. Among the most prominent are Europe 2020, the TA 2020 and the European Cohesion Policy.

1.2.1. Europe 2020 strategy

Europe 2020 implementation follows the subsidiarity principle, as stated in Article 5(3) of the Treaty on European Union. This suggests that actions should be taken as close to the citizen level as possible. The appropriate level of decision-making varies depending on the policy field and the division of decision-making competence in a Member State or region. Often public, private and civil society stakeholders from different levels of governance and different sectors need to cooperate to tackle the complexity of challenges addressed in Europe 2020.

Achieving the objectives and targets set out in Europe 2020 requires changes and developments on the ground, i.e. in European cities and regions. Local and regional potential and development opportunities vary substantially (European Commission 2014b; ESPON 2014). Accordingly, to achieve the European targets every city and region needs to make the best use of its own preconditions and contribute in its own way. The same is also true in relation to national targets. The Directorate General for Regional and Urban Policy (DG REGIO) pointed out that different cities and regions should contribute in different ways instead of being required to meet national targets (European Commission 2011).

However, up to now the strategy has served as a new reference framework to which cities and regions – if they are aware of the strategy at all – adjust the wording of their policies. The limited impact of the strategy – mainly linked to lip service of different degrees – may also be a result of the lack of awareness and ‘ownership’ of the strategy’s objectives at local and regional level. In fact, the recently finalised study on ‘multi-level governance in support of Europe 2020’⁸ shows that although many local and regional authorities work with initiatives that are relevant to achieving Europe 2020 targets, there is little awareness about their link to Europe 2020. This includes investments and projects that are conducted locally under national legal and policy guidance. At the same time, the contribution of policies to the Europe 2020 targets is often only apparent in the medium to long-term outlook, needing several years of policy implementation to come to fruition. Thus, much of the policy action from the past two to three years in support of Europe 2020 has not yet shown results in terms of the targets. (Böhme et al. 2014)

Linking territorial governance to implementation of Europe 2020

The above mentioned EC (DG REGIO) study on multi-level governance in support of Europe 2020 underlines that the challenges and objectives addressed in Europe 2020 are so complex that individual stakeholders or policy sectors cannot achieve these on their own. The challenge is to identify and bring together the stakeholders in a policy cycle, i.e. any stakeholder whose decision-making power or political and social influence is needed in order to solve the issue at stake. Additionally stakeholders from the private and the third sector should be considered. At the same time, it should be noted that there is a trade-off between the number of stakeholders and effectiveness. (European Commission 2015b)

⁸ See Spatial Foresight GmbH, [Promoting multi-level governance in support of Europe 2020](#), study prepared for the European Commission (2015b).

Although territorial governance is not explicitly mentioned, the study shows that implementing Europe 2020 requires a combination of place-based approaches and multi-level governance.

The Van den Brande report (2014) promotes multi-level governance and partnership as guiding principles for policy implementation. In the report, multi-level governance is understood as a means for 'mainstreaming Europe 2020' into local and regional practices.⁹ Pointing in the same direction, the Athens Declaration of the Committee of Regions (CoR 2014) refers to several elements of territorial governance when it calls for a territorial dimension of Europe 2020 and raises **three recommendations**:

- to set territorially differentiated targets, which enable cities and regions to contribute to national targets while focusing on their own strengths and potential;
- to design National Reform Programmes in partnership with local and regional authorities by building on experience from existing Partnership Agreements;
- to apply multi-level governance as the standard approach for implementing Europe 2020 and to enhance the involvement of local and regional authorities.

In conclusion, various players put forward arguments for a stronger territorial governance focus in the implementation and elaboration of Europe 2020. The strategy needs a clear territorial governance focus to achieve broad ownership, which is essential for successful implementation.

Box: Example Prignitz-Oberhavel, Germany

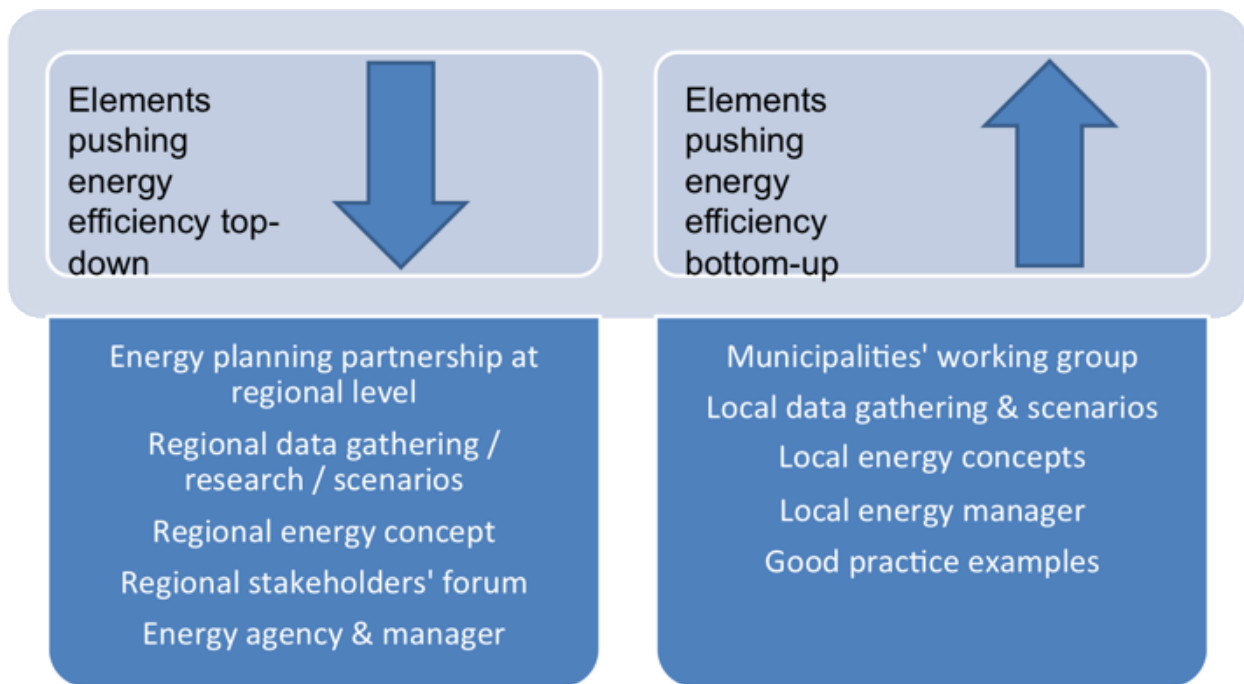
The Europe 2020 strategy and its objectives provide the guiding framework for national policies in Germany. Energy objectives are defined in sector-specific legal and policy documents, such as the law on renewable energy and the national energy concept. The energy strategy of the state of Brandenburg, which includes the planning region Prignitz-Oberhavel, refers to these national documents and to the EU Energy Efficiency Directive¹⁰. These documents guide the regional energy strategy of Prignitz-Oberhavel, even though the regional strategy only expressly refers to the energy strategy of Brandenburg rather than national documents or Europe 2020.

The 'top-down' and 'bottom-up' elements related to energy policies for this region in Germany are visualised in Figure 2.

9 Furthermore, the report argues that, when they are non-hierarchical and collaborative, partnerships can improve dialogue among stakeholders and foster organisational learning. Thus, these partnerships can create added value to policy implementation processes. (Van den Brande 2014:29)

10 Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

Figure 2: 'Top-down' and 'bottom-up' elements of energy policies in Prignitz-Oberhavel



Source: European Commission (2015b)

1.2.2. Territorial Agenda 2020 and Urban Agenda

Whereas Europe 2020 has a formal delivery mode, this becomes more 'problematic' when moving to the TA 2020 and the Urban Agenda. In both cases, the governance approaches for implementation rely on simultaneous work at two levels.

- **Framework level:** The EU and national level needs to work with the objectives of these agendas to establish the framework conditions and initiate overarching policy developments moving in the right direction. The most recent initiatives to improve the coordination of policies and work with territorial matters at European level are initiated in the framework of European Cohesion Policy, such as CLLD and ITI. Additionally, the Commission has improved its coordination of various European policies and has currently renewed its Impact Assessment procedures.
- **Action level:** Increasingly local and regional players work with a place-based approach and move towards more integrated development actions. In fact, implementation of the objectives of the TA 2020 and the Urban Agenda depend on a myriad of actions taken at local and regional level. This might deserve more attention in the policy debate and make a clearer link to the idea of territorial governance.

The importance of territorial governance with respect to the implementation of the TA 2020 has lately been illustrated by a study on the place-based territorially sensitive and integrated approach (Zaucha, Świątek, and Stanczuk-Olejniak 2013) and a forthcoming study commissioned by DG REGIO assessing how the TA 2020 is implemented – Enhancing the efficiency and effectiveness of Cohesion Policy by a place-based approach. (European Commission 2015a)

Linking territorial governance to implementation of TA2020 and Urban Agenda

Key findings of the forthcoming DG REGIO study (European Commission 2015a) point to the usual elements of the place-based approach, such as an integrated approach and multi-level dialogue. Other aspects are novel and shed light on the complexity and the experimental nature of place-based approaches. Most importantly, the study stresses the need for changing the decision-making mentality, moving from a more administrative and compliance-driven attitude to a more result-oriented and entrepreneurial one. (European Commission 2015a)

There is no 'one-size-fits-all' rule for a place-based approach. Adopting practices and strategies suited to the specific territory needs flexibility with a pioneering spirit. Where this has been realised, it shows off in better delivery processes, smoother implementation, more efficient use of territorial resources, better strategies and wider social acceptance of the policies. (European Commission 2015a:4, vol.I) In other words, more territorial governance is needed for successful implementation of the TA 2020 and the Urban Agenda.

Box: Interactive participation among stakeholders at different levels replaces administrative attitude

The 'Horta à Porta' project in Portugal engaged different types of stakeholders in a network. These represented various fields, such as environmental protection and sustainability, education, social inclusion and disadvantaged groups. The idea of the project was to implement a strategy for the Greater Porto sub-region focusing on home composting and the promotion of organic farming, to both raise citizen awareness and improve their quality of life. LIPOR (the Inter-municipal Waste Management of Greater Porto) is responsible for the management, recovery and treatment of municipal waste from most municipalities in the Greater Porto sub-region. LIPOR is also the project promoter, coordinator and driver. LIPOR expanded beyond the administrative boundaries and interacted closely with local authorities. This resulted in better integration of local features, needs and resources.

Apart from environmental sustainability, the project also addressed social inclusion. Different types of gardens have been created, which targeted specific groups, such as unemployed parents or the socially disadvantaged. These groups had the chance to supplement income through selling their garden produce.

Strong leadership from LIPOR and the active participation of and cooperation with local authorities, institutions, enterprises, NGOs and citizens in the form of informal working groups or bilateral consultation, allowed for flexible management based on rules, as well as for collective solutions. (European Commission 2015a)

1.2.3. Cohesion Policy

EU Cohesion Policy is funding hundreds of thousands of projects all over Europe that receive support through the ERDF, ESF and the Cohesion Fund. The implementation and management of EU Cohesion Policy is characterised as shared management, i.e. the funding is actually distributed by the Member States and regions through various programmes.

Box: Informal cross-governance dialogue in Sweden

The main role of the national strategy for regional competitiveness, entrepreneurship and employment (2007) was to become a reference document for EU Cohesion Policy. However, the Swedish government also decided that this should be the main national document guiding growth policy in the country. The strategy was used to strengthen horizontal and vertical integration of policy-making based on informal dialogue. The national forum for regional competitiveness, entrepreneurship and employment was established in 2007 as a result of the strategy. Politicians from different levels of government, including State Secretaries from various ministries and the highest politicians from the regional level (21 territorial units), were invited to participate. The forum meets four times a year and is used to highlight key concerns of the different authorities in relation to growth policy. This is an informal but very powerful tool for orchestrating development priorities at various levels of government and for ensuring synergy between growth related actions of different ministries and regional governments. (Zaucha, Świątek, and Stanczuk-Olejnik 2013)

The importance of governance for effective delivery of Cohesion Policy is expressed in the 6th Cohesion Report as follows: 'A lower standard of governance can affect the impact of Cohesion Policy both directly and indirectly. In the first place, it can reduce expenditure if programmes fail to invest all the funding available. Secondly, it can lead to a less coherent or appropriate strategy for a country or region. Thirdly, it may lead to lower quality projects being selected for funding or to the best projects not applying for support at all. Fourthly, it may result in a lower leverage effect because the private sector is less willing to co-finance investment.' (European Commission 2014b:172) The report even goes so far as to point out that poor governance can slow down investments and lead to the loss of funding due to low absorption rates. (European Commission 2014b:175)

Linking territorial governance to EU Cohesion Policy design and implementation

EU Cohesion Policy actually builds on territorial governance ideas in at least three different ways:

- **Shared Management:** The idea behind the shared management approach is that, on the one hand, EU Cohesion Policy is not just a financial redistribution mechanism, and on the other hand, national and regional stakeholders know best how to use the money most effectively in their territories.
- **Partnership Principle:** In order to ensure that programming and funding decisions are based on a broad understanding of what is best for the programme area, the partnership principle is one of the key principles of the shared management system. The European Code of Conduct on Partnership in the framework of the European Structural and Investment Funds (European Commission 2014a) provides detailed recommendations for different types of partners and the decision-making stages at which they should be involved.
- **Territorial Tools:** In order to strengthen territorial governance at the level of projects, new instruments have been initiated in the framework of European Cohesion Policy 2014-2020 with a view to improve the coordination of policies and deal with territorial matters at European level. These are mainly CLLD and ITI.

In conclusion, territorial governance is relevant for the set-up, management and implementation of projects funded by EU Cohesion Policy.

Box: European code of conduct on partnership (CoC) Art. 4.1

a) competent regional, local, urban and other public authorities, including:

- (i) regional authorities, national representatives of local authorities and local authorities representing the largest cities and urban areas, whose competences are related to the planned use of the ESI Funds contributing to the programme;
- (ii) national or regional representatives of higher educational institutions, education, training and advisory services providers and research centres, in view of the planned use of the ESI Funds contributing to the programme;
- (iii) other public authorities responsible for the application of horizontal principles referred to in Articles 4 to 8 of Regulation (EU) No 1303/2013, in view of the planned use of the ESI Funds contributing to the programme, and in particular the bodies for the promotion of equal treatment established in accordance with Council Directive 2000/43/EC, Council Directive 2004/113/EC and Directive 2006/54/EC of the European Parliament and of the Council;
- (iv) other bodies organised at national, regional or local level and authorities representing the areas where integrated territorial investments and local development strategies funded by the programme are carried out;

(b) economic and social partners, including:

- (i) nationally or regionally recognised social partners' organisations, in particular general cross-industry organisations and sectoral organisations related to the planned use of the ESI Funds contributing to the programme;
- (ii) national or regional chambers of commerce and business associations representing the general interest of industries or branches, with a view to ensuring balanced representation of large, medium-sized, small and microenterprises, together with representatives of the social economy;
- (iii) other similar bodies organised at national or regional level;

(c) bodies representing civil society, including:

- (i) bodies related to programmes using ESI Funds and to the application of horizontal principles, referred to in Articles 4 to 8 of Regulation (EU) No 1303/2013 based on their representativeness, and taking into account geographic and thematic coverage, management capacity, expertise and innovative approaches;
- (ii) bodies representing the local action groups referred to in Article 34(1) of Regulation (EU) No 1303/2013;
- (iii) other organisations or groups which are significantly affected or likely to be significantly affected by the implementation of the ESI; in particular groups considered to be at risk of discrimination and social exclusion.

Box: ITI and CLLD

The regulations for 2014-2020 European Structural and Investment Funds include instruments offering a structured framework for place-based initiatives. The two most important of them are:

ITI was introduced in Article 36 of the CPR. This tool **makes it easier to implement territorial strategies that need funding from different sources**. In this sense, ITI is a tool to promote a place-based form of policy-making; it exploits the development potential of various territories (national, regional, rural, functional, etc.) through the integrated use of various funds.

CLLD was introduced in Article 32 of the CPR. It **encourages local communities to develop integrated 'bottom-up' approaches in circumstances** where there is a need to respond to territorial and local challenges calling for structural change. CLLD strategies can respond to growing diversity and complexity. The methodologies for CLLD should focus on specific sub-regional areas and are community-led by local action groups, carried out through integrated and multi-sector area-based local development strategies and take into consideration local needs and potential. CLLD is based on the LEADER approach to community-led local development and may be supported by any ESI Fund. In the past the corresponding funding under the EAFRD has proven to be an effective and efficient tool in the delivery of development policies. By integrating this approach in the CPR, a single methodology makes CLLD applicable to all ESI Funds.

Limitations to territorial governance in practice

While ITI and CLLD allow for stronger advocating on behalf of place-based approaches in governance processes, the approach to Cohesion Policy in many Member States runs contrary to that. The Member States comply with the shared management and partnership principle, but at the same time they opt increasingly for allocation of funding via national programmes rather than regional programmes. The evolution over the past programming periods shows that the financial share of regional programmes is declining while the financial share of national programmes increases steadily. This tendency to shift financial allocation from regional to national programmes and allocation bears the risk of weaker territorial governance at the level of programmes.

1.2.4. Sectoral policies

Several EU policies impact on territorial development. While the 6th Cohesion Report does not take this into account, Chapter III of the 5th Cohesion Report was dedicated to the interaction between Cohesion Policy and other EU policies. It made a distinction between three categories of policies: those with an explicit spatial (regional) dimension, those that have only a partial spatial dimension and those that are 'spatially blind', i.e. policies that do not make such a distinction and can therefore be described as 'without spatial dimension'.

Policies of the third category with no built-in spatial dimension still impact the territory. Policies such as energy, the single market or the Economic and Monetary Union (EMU), which are among the policies classified in the 5th Cohesion Report as having no spatial dimension, can significantly affect the geographic distribution of economic resources, even if they do not pursue spatially differentiated objectives. (Böhme et al. 2014; Böhme et al. 2011)

There are also various other analyses and evaluations of the territorial dimension and the relevance of EU policies. In Germany for example, a study of the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) analysed the 'territorial relevance' and the 'territorial perspective' of various EU policies (BMVBS 2012). Territorial relevance is assumed if a policy affects preconditions or obstacles to territorial development. This for instance includes effects on demographic development, socio-economic regional development, transport, or landscape changes. The 'territorial perspective' illustrates whether the policies are expressed with a territorial view. (Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e.V. 2009:5) The conclusions of the analysis are in Table 1.

Table 1: Territorial relevance and territorial perspective of EU policies

Policy	Territorial relevance	Territorial perspective
Cohesion & regional	Very high	Partially – could be strengthened
Environmental	Very high	Yes
Maritime	High	Yes
Transport	Very high	Partially – must be strengthened
Energy	High	Low
Agriculture	High	Partially – must be strengthened
Competition & single market	High	Partially – must be strengthened
Research	Indirect	Only in individual initiatives
Entrepreneurship	Indirect	Very low
Employment & social	Indirect	Low

Source: Deutscher Verband für Wohnungswesen, Städtebau, und Raumordnung e.V (2009:65)

The above table illustrates that a wide range of sectoral policies have territorial impacts and depend on territorial pre-conditions for their implementation. Consequently, their implementation mechanisms could be closer to a territorial governance approach.

This may imply for instance the need to incorporate some flexibility for territorial specificities or impacts on specific territories. Such an approach asks how the sector policy contributes to broader societal objectives. Finally, it suggests expressly including relevant stakeholders. The Urban Game is an example of an approach that aims to raise awareness among stakeholders concerning the interdependencies of their policy-making across sectors. (European Commission 2015b)

Box: Links between Policy sectors and levels of governance in Stockholm

In Stockholm, the Urban Game was developed as a tool to encourage discussion and to increase awareness about the interdependencies of developments and decisions in different sectors and at different levels of governance in the context of social inclusion challenges. This shows horizontal cooperation as well as the territorial dimension of different policy fields.

The Urban Game helps to visualise how different measures implemented at different governance levels and sectors relate to each other, for both vertical and horizontal coordination. The most relevant sectors and levels of governance define the playing fields. The players interact and they learn about the links between different policy sectors and governance levels. They better understand how their policy impacts on other sectors and which sectors and levels need to be considered to achieve a specific policy goal. (European Commission 2015b)

2. ASSESSING TERRITORIAL GOVERNANCE IN POLICY IMPLEMENTATION PROCESSES

KEY FINDINGS

- Recent policy discussions **challenge the application of the territorial dimension in European policies**. More emphasis is put on sectoral and national policies and less attention seems to be paid to strategic long-term planning.
- **The 2014-2020 Cohesion Policy** includes different elements with the potential to **strengthen territorial governance** of the policy, such as a common regulatory framework for ESI Funds, focus on result-orientation, thematic concentration as well as the partnership principle, introduction of CLLD and ITI under ESIF and earmarking 5% of national ERDF funding for integrated actions for sustainable urban development.
- In order to strengthen territorial governance, it is important to establish a **general understanding and culture of governance**. There is no 'one-size-fits-all' approach because of the diversity of institutional system **context** and **legacy**.
- Delivering governance change is **highly context-specific**. How to achieve governance change depends on institutional, administrative, legal and organisational conditions.
- **Institutional capacity building** is necessary. Players need to have the **administrative and financial capacity** to actively participate in territorial governance processes.

Territorial governance has many different facets, as has been shown in the previous section. Given the multitude of possible interpretations and nuances, it is difficult to have a comprehensive discussion about its role in policy implementation processes.

To facilitate the discussion we would like to focus on the following dimensions of territorial governance:

- the territorial i.e. place-based dimension in policy making;
- bringing together stakeholders from different sectors in appropriate (multi-level) governance processes;
- strategic and long-term orientation to achieve overarching societal objectives.

The overall political and societal discourse in Europe is not favourable to the above points as the main pillars of territorial governance. Many recent developments point in the opposite direction.

Is place-based policy making a retreat? At the strategic European policy level, the territorial dimension and long-term perspective of policies seems to become weaker. From what can be seen, the expected revision of Europe 2020¹¹ is not likely to address the lack of a territorial dimension in the strategy. Additionally, the new European investment plan, the so-called 'Juncker Plan', has no territorial component for fostering investment in Europe. This component is missing in different development stages, paths and decision-

11 Proposals for the strategy's review are expected before the end of 2015.

making approaches across Europe as well as there being a lack of integration for sector policies. Instead, single policies in relation to the single market are addressed.

Is there shared decision-making only in terms of vertical coordination? Multi-level governance is a popular concept and, increasingly, decision-making processes involve the coordination of policies and investments between different levels of governance. In other words, vertical coordination is increasing. Developments are less positive when it comes to horizontal coordination. Despite positive examples, restrictive sectoral policy thinking remains a key challenge at all levels of decision-making. Changing a system to more integrated thinking requires time and a change of attitudes, which is particularly time-consuming. In order to achieve policy coordination in practice both education systems and the attitude of the public sector need to focus more on results and long-term solutions. Considerable efforts are also needed to involve relevant bodies in the decision-making processes – in particular players representing civil society.

Are long-term strategies in decline? After the heydays of the 1990s, it seems that long-term territorial strategies are less popular (politically) in many Member States and also at European level. Indications demonstrating this fact are the reduced manpower and political attention for national spatial planning in many countries, the metamorphosis of European Territorial Cooperation Programmes (Interreg) from programmes supporting spatial planning and visioning to programmes supporting ESI Funds for sectoral policies and investments. Given the risk of failing, Europe 2020 appears to lose importance and to miss an updated focus on the long-term. Even if strategies, including for sectoral policies, are developed, they often miss coherent and real action with realistic schedules. Instead, the focus is increasingly on short-term investment actions that tend to deal with symptoms rather than with structural problems or the real regional and local issues.

Is there more hope at the local and regional level? While the above shows that territorial governance is in a challenging position at national and European level, the situation seems to be more positive at local and regional level. In fact, policy coordination and the place-based approach are frequent topics in the daily work of many local and regional policy-makers, although they may not refer to it in these terms, since the focus is usually on what can and needs to be done for 'my area' and how and with whom that can be achieved in the best way. In that sense, local and regional players apply the place-based approach and work in terms of territorial governance out of daily necessity.

2.1. Evolution and perspectives of the relationship between territorial governance and Cohesion Policy

The 2014-2020 Cohesion Policy legislative framework includes a wide range of changes to the regulatory framework, to improve the use and management of Cohesion Policy instruments. The following changes seem to be particularly relevant to territorial governance:

- common framework for all ESI Funds (ERDF, CF, ESF, EAFRD and EMFF);
- stronger focus on result orientation;
- thematic concentration on Europe 2020 targets;
- stronger focus on partnership principle;
- introduction of CLLD and ITI;
- earmarking of 5 % for [integrated actions for sustainable urban development](#).

Another change that was not introduced by the regulatory framework, but comes from the decision of individual Member States, is the **shifting focus from regional to national programmes**.

The table below provides a quick overview of selected regulatory changes related to the territorial governance dimensions identified above.

Another central element of change is the **increased focus on financial instruments** that may be expected to be strengthened in the future. If their application is to be strengthened, then territorial aspects should be part of the decision to support a project.

Table 1: Territorial governance dimension of selected regulatory changes

	Place-based dimension	Governance dimension	Strategic, long-term dimension
Common Framework	-/+	+	-/+
Result orientation	-/+	-/+	-
Thematic concentration	-	-	-/+
Partnership principle	+	+	-/+
CLLD & ITI	+	+	-/+
Urban ear-marking	+	+	-/+
Shift to national	-	-	-/+

Source: own elaboration, Spatial Foresight (2015)

In the following sections, each of the columns is discussed separately, i.e. the three dimensions of territorial governance.

2.1.1. Challenges for strengthening the place-based dimension

In short, the above changes to the regulatory framework can strengthen the place-based or territorial dimension but also contain considerable risks.

The best potential lies in the introduction of CLLD and ITI. However, these two instruments are not widely used. Thus there is potential, but it will not have a strong impact on the overall design and delivery of EU Cohesion Policy.

More important is the earmarking of 5% of ERDF resources for integrated actions for sustainable urban development, innovative actions in the area of sustainable urban development, the creation of an urban development network and a focus on areas with specific natural or demographic features. This has a distinct territorial focus, raising the importance of specific needs and challenges resulting from territorial conditions, of cities facing global challenges and the role of urban areas for various functions in the wider

territory (the urban function in rural-urban relations, global integration etc.) and challenges for sustainable development in urban areas. Furthermore, the CPR also promotes cooperation of ESI Funds with macro-regional and sea basin strategies. By requiring the Member States to define these territorial perspectives in their Partnership Agreements the territorial focus was strengthened.

Strengthening the partnership principle has a clear potential to ensure a stronger territorial dimension in decision-making processes for the programmes. The European CoC on partnership recommends a large number of partners, which would help to better reflect the needs of territories in the programmes and thus give the territorial needs and challenges more weight in programme decisions. The actual effect largely depends, however, on how this is implemented. First insights suggest that not a lot has changed and most programmes work with the same partnerships as in the previous period; sometimes with minor modifications. Furthermore, experience from the programme level suggests that the application of the partnership approach varies heavily between Member States and regions. It depends largely on existing decision-making and governance cultures and past experience.

The shift towards more national programmes and stronger thematic concentration poses potential challenges for strengthening the territorial dimension in Cohesion Policy. National programmes are traditionally more sector-oriented and focus less on the territorial dimension. This goes hand-in-hand with the stronger thematic concentration. While a strong thematic focus of funding is to be welcomed – since it might help to deliver more tangible effects – the choices for thematic concentration forced programmes into very specific sectors, which makes it difficult to approach territorial development issues in a more general sense.

The provision of a common regulatory framework and the stronger focus on results is expected to be neutral with regard to the place-based dimension of territorial governance since effects may be both positive and negative.

2.1.2. Potential improvement for the governance dimension

Delivery mechanisms and thus the governance of Cohesion Policy have been a concern for a long time. With every new programme period there have been efforts to improve the mechanisms and make decisions more transparent and accountable.

The common regulatory framework is a clear step ahead in improving coordination and governance across funds. This framework has encouraged the use of multi-fund programming. It is expected that in the end there will be 179 programmes using only ERDF and 111 programmes combining ERDF with other funds (mostly CF and ESF). The high share of multi-fund programmes underlines the potential for better coordination between different policy fields. In addition, the single fund programmes have had to clarify synergies and differences between the different ESI Funds more distinctively than in the past. Bringing together different sector players in the territory should improve territorial governance.

At programme level, territorial governance should be improved through the partnership principle and the 5% earmarking.

The way in which CLLD and ITI are designed can help territorial governance at lower administrative levels though these are not widely used for the overall delivery of Cohesion Policy.

Some changes pose a number of challenges to strengthening territorial governance in the context of EU Cohesion Policy. Both the thematic concentration and the stronger focus on national programmes may negatively affect the governance process. The participating players will increasingly represent the national level or specific sectoral interests. Consequently, it might become more difficult for representatives from local and regional levels and players representing wider territorial development concerns (as opposed to specific sectors) to play an important role in the partnerships.

The stronger focus on result orientation is not expected to directly impact the governance dimension when it comes to territorial governance.

Box: Romania paved the way for Integrated Territorial Investment

Romania is one of the members of the European Union Strategy for the Danube Region. In order to ensure coordination with the macro-regional strategy, the Romanian Government initiated the Integrated Sustainable Development Strategy for the Danube Delta Area. The integrated strategy combines both a 'top-down' approach, since it was initiated by the central authorities in partnership with local authorities, together with a place-based approach, involving a large number of stakeholders at different levels as well as local rural and urban communities. Several players helped design the integrated strategy, including public institutions, research institutes, companies, individuals and NGOs. Therefore, although the idea was perceived as 'top-down', it was realised with a place-based approach and involvement of players at all levels. (European Commission 2015a)

2.1.3. No real improvements for the strategic dimension

Overall, the strategic and long-term dimension of policy making seems to be diminishing in Europe. This is also clearly reflected in the changes introduced in Cohesion Policy.

Partnership may strengthen a more long-term and strategic dimension of Cohesion Policy. Indeed, in many cases, engaging in governance approaches and involving a large number of partners requires the development of a clear, long-term vision to which the partners can relate. In that sense, the partnership can help programmes strengthen long-term strategic thinking. However, the perspectives of the partners matter. If their interest lies mainly in ensuring funding in support of their own interests, their inclusion is not likely to support long-term strategic decision-making.

Similarly, result orientation may positively affect the long-term approach. In rare cases, indicators reflect the long-term development vision for the programme area, which may strengthen the strategic long-term dimension of governance. However, in reality, most programmes have indicators that only vaguely reflect such a long-term strategic vision and in these cases the focus on result orientation may run counter to the strategic dimension of territorial governance. Result orientation works in favour of funding decisions that help to deliver the target values set for the programme indicators.

Other changes appear to be more or less neutral with regard to the strategic and long-term dimension of territorial governance.

Box: Public and private stakeholder involvement in ENERGIVIE in Alsace

The ENERGIVIE programme and cluster, co-financed by ERDF, in Alsace (France) has a broad participatory approach and includes many different stakeholders. The cluster contains both public and private sector members. Some examples from the private sector are representatives of companies working in energy, housing, tourism and agriculture. Public bodies include state services, research, training and other experts in the field of energy. They were carefully selected to represent all sectors in the development of renewable energy in the Alsace region.

Public partners are sometimes involved in the multi-level governance process due to obligations from senior public authorities. Furthermore, public sector participants bring not only institutional competence in terms of environment and energy efficiency, but they also want to foster the economic position of the region and regional industry.

Private partners recognise the opportunities for the regional economy that ENERGIVIE creates. For them the cluster provides the opportunity to join forces and work together on innovation in the region's energy efficiency sector, creating products and new employment and strengthening the Alsace region as a frontrunner. (European Commission 2015b)

2.2. Relevance of diverse institutional systems for territorial governance

Territorial governance may involve public and non-public, societal or private sector players. Consequently, territorial governance can work in the institutional systems of all EU Member States. However, the way it is implemented and exercised certainly depends on the institutional context and existing governance legacies.

2.2.1. Institutional context matters

Governance arrangements are context dependent. Throughout the EU there are a multitude of governance arrangements, all of which are place and context specific.

The institutional context of a country, region or city defines who needs to be involved in the territorial governance process. This may vary from case to case and definitely varies between centralised and decentralised government systems, as well as the sectorial division in policy systems and the role of civil society in delivering social welfare.

Depending on the context, different players need to be brought together and the way they are mobilised, communicate and collaborate will differ (European Commission 2015b). The effectiveness of territorial governance arrangements depends largely on the players' capacity to adjust to the institutional context.

Different systems provide different pre-conditions. EU Member States cannot be forced to replace a centralised (e.g. Sweden) with a federal institutional (e.g. Germany) system or vice versa. Thus, governance processes have to be adjusted to the context, and not the other way around.

2.2.2. Legacy matters

While the institutional systems may not change, past experience with governance processes rather than government interventions can help. There are major differences between EU Member States as well as across regions and cities in the degree governance processes are used as well as in how they are initiated and managed. To establish open and transparent cooperation and communication, stakeholders need to trust each other. Usually, complex governance processes cannot simply be built 'from scratch'. They evolve over time, often with strong leadership. Thus, previous governance experience helps to deepen governance processes and can be a starting point for including additional sectors in the long-run. (European Commission 2015b)

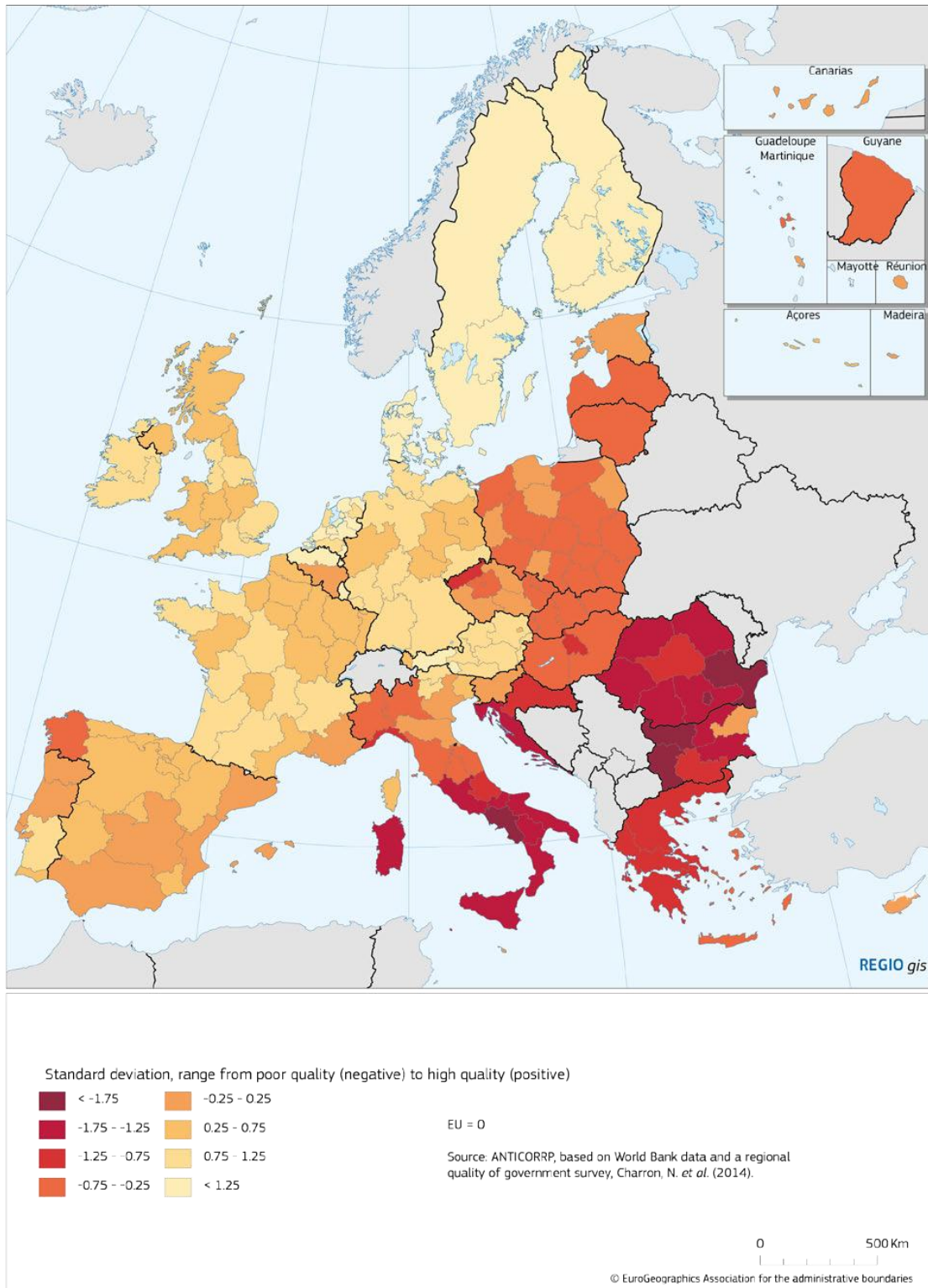
The findings in the 6th Cohesion Report illustrate the differences in quality of governments across Europe¹² (see Map 1) but also show that government and governance systems are not static and may change. (European Commission 2014b)

To strengthen territorial governance, it is important to establish a general understanding and culture of governance. As the DG REGIO study (European Commission 2015a) shows, delivering governance change is highly context-specific and dependent on complex relationships with territories. There are difficulties of time scale and identifying cause and effect relationships between multi-level governance actions and policy outcomes. This leads to clear difficulties for European territorial cooperation to demonstrate results or benefits of actions with a limited cooperation period.

The importance of legacy has also been observed with the implementation of the partnership principle and the CoC in the context of the ERDF: 'Lack of tradition: The application of the partnership principle was hampered by a lack of tradition and experience of decentralisation and collaborative policy-making, as well as a limited capacity of sub-national players, especially in the New Member States.' (European Parliament 2014:11) Capacity of sub-national players has thus a twofold impact. It is often needed for the initiation of place-based processes and for the overall governance process including different levels and sectors.

12 The European Quality of Government Index is a combination of World Bank Governance Indicators and a survey on regional variations in the EU Member States. The World Bank Governance Indicators reflect at national level political stability, government effectiveness, regulatory quality, rule of law, control of corruption, as well as the strength of democratic and electoral institutions. The European survey focuses on the quality, impartiality, perception and personal experiences with public services (law enforcement, education and healthcare) that may vary between regions.

Map 1: European Quality of Government Index, 2013



Source: European Commission (2014b:170)

2.2.3. Individuals can make a change

Even if it takes time to change governance cultures, there is no need to wait for this culture to change from the top down. Two recent studies commissioned by DG REGIO¹³ actually show that governance practices and arrangements can be changed by starting from different positions in the system.

The study on the TA 2020 (European Commission 2015a) underlines that the drivers for change are often found at local and regional level. This mainly depends on these levels' needs and a change towards more entrepreneurial instead of traditional government attitudes. The other study (European Commission 2015b) on multi-level governance in support of Europe 2020 also points to the potential of stakeholders to take the initiative instead of waiting for other players: 'Municipalities or regional administrations do not need to wait for national legislations to define what they have to do, or civil society stakeholders raising awareness and actively contributing to searching for new governance solutions.' (European Commission 2015b:62)

In fact, governance processes need to be initiated since they do not emerge automatically from institutional routines, but are usually initiated by a stakeholder or triggered by a particular event. In practice, it is often necessary for one player to step up, identify the need for doing things in a more innovative manner and facilitate the process of collaboration and coordination.

For successful governance, a single individual can often be identified as crucial for setting the process in motion. At least to start with, this individual is the main contact for representatives from other administrative levels and policy sectors. Often these individuals have a mandate to act according to their position in the public administration. But this mandate in itself is not sufficient to induce a multi-level governance process. It also requires active pursuit of the envisioned governance.

The initial driver most often is either a political representative or a civil servant. The latter usually needs to spark the interest of political representatives to get broader support for raising awareness. Typically, politicians can 'sell' the policy to a broader audience than civil servants. The governance concept implicitly includes the involvement of non-public stakeholders. Even if there are few of them there are examples showing that it is not always necessary for policies to be initiated by the public sector. Civil society, pulling the right strings, may also succeed, though this may not apply in the same way to different policy fields.

The initiating individual needs to have the trust of all organisations participating in the governance process to make the process sustainable over longer periods of time. The task is to facilitate the processes in a way that they are perceived as being neutral and objective, i.e. taking into account the perspectives of all players. Typically, the most powerful government authority takes on this role. This could be the regional authority or the local authority of the largest municipality in the region. However, an external facilitator can also be useful or necessary to ensure trust and neutrality. If a government authority coordinates the process, the type of brokering relates to the leadership approach; if it is an external facilitator, it is based on external network facilitation. (European Commission 2015b)

13 European Commission (2015a and 2015b).

2.2.4. Modes of governance

Depending on the institutional context and legacy, different modes of governance can be used to stimulate or initiate territorial governance processes. The DG REGIO study (European Commission 2015b) highlights four modes (see text box).

Choice and combination of the modes applied during policy-making are again driven by the institutional context and past experience.

Box: Four modes of governance

Governing by authority suggests the use of traditional forms of authority, such as regulation and direction that persist despite reforms. This method is seen when national governments intervene directly in local politics through mandates or other compulsory means. Governing by authority uses sanctions.

Governing by provision shapes practice through the delivery of services and resources. This occurs when services and incentives, including funding, are offered by a national government in return for local action. Governing by provision is accomplished through practical and material means, including infrastructure.

Governing through enabling includes local government facilitating, co-ordinating and encouraging action through partnership with private and voluntary sector agencies, and through various forms of community engagement. Governing through enabling works through persuasion, constructive criticism and incentives.

Self-governing includes a local government governing its own activities. It is characterised by self-motivated action and may take place in cities and regions. Self-governing may occur if mandatory national legislation is limited or non-existent. It relies on organisational management processes.'

Source: European Commission (2015b:4)

2.3. Necessary (institutional) capacity building

Governance processes involving a wide range of different players consume time and resources. Thus, they may only be maintained if sufficient capacity is available or at least can be built.

Being able to actively participate in time-consuming governance cooperation requires adequate administrative and financial resources in the various players. This concerns both the key players driving and running the process as well as the players 'only' participating in the processes. Administrative resources have been highlighted as important obstacles in various studies:

- **'Lack of resources:** A general criticism across all Member States is that the extent of involvement and influence of non-public sector bodies in OP decision-making processes remains limited due to a lack of resources, challenges which are compounded by the complexity of Cohesion Policy rules.' (European Parliament 2014:11)
- **Institutional capacity of public authorities or institutions:** 'needs to be boosted. The strategic nature of a territorial governance framework underlines its ultimate purpose, which is how to translate spatial strategies into practices based on a plan of action. The application of a strategic framework is primarily connected to

the issue of institutional capacity. Public authorities or institutions promoting a territorial governance process need to be assisted by qualified staff.’ (ESPON 2012:27)

- **Institutional capacity of stakeholders:** ‘Involving a wider range of stakeholders also calls on the institutional capacity of stakeholders. They need to have the resources and stability over time to develop an active long-term participation. Especially where the participation of individuals is important, ensuring continuity can be challenging. Shifting towards institutional arrangements may help.’ (European Commission 2015b:52)

In many cases, administrative resources also imply funding. However, this link is not that straightforward. In fact, governance arrangements can also be a way to pool resources and thus deliver policies more efficiently.

Box: Multi-level governance measures to develop a climate adaptation strategy under EUSBSR

Climate change has an impact on all countries surrounding the Baltic Sea. Although this differs for each country, experience and knowledge needs to be shared among stakeholders in the Baltic Sea region. EUSBSR concerns the development of a climate change adaptation strategy, a procedure which has both ‘top-down’ guidance from the European Commission and national levels, but also ‘bottom-up’ measures taken at local and regional levels. The strategy has been developed through broad stakeholder involvement at different levels and has involved citizens and cross-sectoral workshops with experts and policy forums with high-level officials. Since climate change is an issue affecting all in the region at different levels, the multi-level governance approach has been essential to finding common solutions. (ESPON 2014)

Administrative capacity has also been addressed by the rules for territorial governance presented by ESPON (see Figure 3). It highlights different capacity issues referring to the initiator and leadership of the process as well as to the mobilisation of players and their cooperation. These rules as well as the importance and lack of administrative capacity underline the need for capacity building to strengthen territorial governance in the EU, its Member States, regions and cities.

More generally, the OECD stresses that the impact of public investment depends to a large extent on how governments manage it. Here, they mainly refer to how different levels of government coordinate and develop capacities to design and implement investment projects. (OECD 2014)

Finally, the capacity may also need to be strengthened by new levels of governance. Territorial governance processes do not only need to restrict themselves to existing levels of governance. As the emergence of macro-regional strategies in Europe shows, territorial governance structures can also help to establish new governance levels. For macro-regional strategies such as EUSBSR, EUSDR, EUSAIR, EUSALP¹⁴ a new level of governance has been established, since existing governance levels were not suitable for addressing the issues at stake. (European Parliament 2015)

14 EUSBSR – EU Strategy for the Baltic Sea Region, EUSDR – EU Strategy for the Danube Region, EUSAIR – EU Strategy for the Adriatic and Ionian Region, EUSALP – EU Strategy for the Alpine Region.

Figure 3: Rules of the game for territorial governance

2 rules of the game

The following two key rules help to improve territorial governance:

1. Responsible leadership

Territorial governance processes require responsible leadership, ensuring that all relevant parties are onboard and that things are moving forward. To facilitate responsible leadership three key aspects can be highlighted:

- (a) The appropriate decision makers need to be empowered to take the necessary decisions (also in coordination with decisions taken in other sectors or at other levels);
- (b) Public resources (be it manpower or funding) need to be mobilised and used in a responsible way, ensuring high levels of responsiveness and accountability;
- (c) Possible leadership inhibitors need to be identified to avoid uncertain leadership.

2. Governance capacity

Effective territorial governance requires to:

- (a) Increase flexibility and legal certainty

The involvement of different levels of government and stakeholders is a standard condition for good territorial governance. Moreover, a flexible governance structure is therefore necessary for enabling inclusion and participation.

- (b) Reduce inhibitors to governance capacity

Weak institutional capacity or stability is a frequent source of problems for vertical and horizontal coordination. The lack of mechanisms to capture governance achievements, the inadequacy of the adopted tools and the lack of political will for the inclusion of economic stakeholders are possible inhibitors.

- (c) Focus on institutional adaptability

The implementation of territorial governance is a process that gains value over time. All of the observed experiences emphasise the procedural nature of the implementation of governance arrangements, which require sufficient time. “Good” governance systems cannot be imposed, but are developed based on the patient identification of emerging issues and the progress of projects.

Source: ESPON (2014:12)

2.4. Nice to know. So what?

Implementation of Cohesion Policy makes use of territorial governance. Depending on the institutional and political context and on past experience, territorial governance in Cohesion Policy can have different forms and make use of different modes of governance. However, in all cases it requires some institutional capacity of the stakeholders.

Given the rather flexible format, pros and cons for territorial governance and clear indications for what needs to be done if territorial governance is to be strengthened in the EU remain a point of discussion.

2.4.1. Pros and cons

The main idea of territorial governance is that it helps policy making and improves the delivery of public policies by ensuring that stakeholders are involved in the decision-making process and that the decisions are place-based, i.e. reflecting the territorial specificities of the area.

Critics argue that these processes are very complex and therefore they make decision-making processes time-consuming, require a lot of administrative capacity and result in compromises that do not necessarily lead to the best possible outcome.

Indeed, while territorial governance has its merits, it also comes with a number of challenges. To stimulate the debate, the table below gives an overview of the key benefits and challenges for territorial governance. The table is not meant to deliver a final verdict, but should trigger further discussion.

Table 3: Benefits and challenges of territorial governance

How is territorial governance beneficial for policy-making?	How does territorial governance challenge policy-making?
Place-based approaches make better use of territorial strengths and weaknesses.	The most appropriate governance arrangements are not always apparent but need to be identified, developed, searched for, etc.
Better ownership, transparency and openness supports acceptance of policy.	Processes take longer, which may not be suitable if quick action is required.
It strengthens long-term strategic objectives.	It may be difficult to succeed without a strong driver.
'A territorial governance approach that coordinates the actions of actors and institutions pays attention to the distribution of power across levels and makes a distinction between regulative power ... and normative power.' (ESPON 2013:47)	Inadequate capacity may mean territorial governance processes are perceived as additional administrative burden.
Diverse approaches to territorial governance can enrich the process and give a better understanding of territorial specificities.	When proactively integrating policy sectors, there can be conflicting objectives that need to be acknowledged.
'A territorial governance approach that is adaptive to changing contexts can enable national, regional and local authorities to respond to crises, such as the current economic one, by 'thinking outside the box' in the search for quick (and long-term) solutions.' (ESPON 2013:48)	Developing practices and strategies for each territory requires major efforts and leads to a huge variety of approaches.

2.4.2. Future needs

If territorial governance is to be strengthened in European policies, as discussed at the beginning of this analysis, the following should be considered.

- **Cohesion Policy:** Improving the role of partners at programme level and providing them with training or education on territorial governance and the place-based approach may be the most efficient way to strengthen territorial governance. Additional aspects include supporting integrated multi-fund approaches and result orientation with a strategic long-term perspective, rather than just looking at how to achieve targets for indicators set in programmes. Furthermore, territorially relevant aspects (CLLD and ITI) could be strengthened in programmes by making them easier to implement and supporting the ability of programmes to adopt such approaches.
- **Investment plan for Europe:** The 'Juncker Plan' risks having a weak territorial dimension and a focus on single investments that are not fully connected. To ensure better territorial governance, investments should be discussed with regard to their territorial effects and how they link to the decisions and strategies of other stakeholders in the territories. A simplified territorial impact assessment as developed by ESPON or as envisaged in the revised approach to the Commission's impact assessment could be a first step in this direction.
- **Europe 2020 strategy:** Revision of the strategy should improve the territorial dimension of objectives and delivery mechanisms. To facilitate broad ownership – and consequently broad implementation – territorial players should be involved in the revision process. The revised strategy can only be successful if it becomes a shared vision. This means it needs to be further developed and implemented on the basis of multi-level governance processes and has to include strong place-based dimensions. In other words, not only the implementation but also the development of the review needs to follow the ideas of territorial governance. To do so, the European Commission could invite other European players, such as the Member States and regions to not only respond to public consultation but become actively involved in the development of the revised strategy.
- **TA 2020 and Urban Agenda:** Both agendas already build on the idea of territorial governance. The revision of the Urban Agenda in 2016 and further work with the TA 2020 can make it clearer. It is necessary to focus on the need for territorial governance approaches when applying the objectives at local and regional level and the role of the national and European level should provide the framework for this.

3. CONCLUSIONS AND RECOMMENDATIONS

KEY FINDINGS

- Start thinking about **local development needs**, since these define what needs to be done and who needs to be involved.
- Foster **diverse approaches** to territorial governance, since there is no 'one-size-fits all' approach.
- Foster a **new culture** in the public sector. Even though changing attitudes takes time, a more entrepreneurial culture in public decision-making processes is needed. This includes more transparency and open communication.
- **Support individuals** driving territorial governance processes, since passionate individuals can initiate territorial governance processes and bring about change.
- Advocate territorial governance, **improve understanding** and illustrate the **usefulness of a territorial dimension**.

In order to strengthen territorial governance there are a few conclusions and recommendations that emerge from the current discourse and latest literature. These are primarily relevant for players at European level who can influence the framework for strengthening territorial governance. Recommendations for players working with territorial governance on the ground will necessarily differ and, as mentioned before, are already documented in various guides.

3.1. Always start from the needs

EU and national policy frameworks can play an important role in stimulating the development of territorial governance processes. At the same time, 'bottom-up', governance processes need to originate from local development needs. In fact, most territorial governance processes are based on local needs. Although embedded in national and European policy frameworks, the governance arrangements developed for these policies focus on local and regional levels and their stakeholders. In other words, the subsidiarity principle is important for successful territorial governance arrangements.

EU and national level players can act as cooperation partners or framework builders. National players have a wide range of options at their disposal to improve the framework for territorial governance. This includes raising awareness about territorial governance options, mapping the relevant stakeholders and players with important policy roles, using different tools and processes to facilitate consensus building and clarity of roles as well as retaining a focus on the policy objectives.

Assessing the development needs or issues at stake in a specific territory is not always possible from the outside. Therefore tacit local and regional knowledge is crucial for territorial governance – following Barca's ideas about the place-based approach. Knowledge about regions and cities – including informal mechanisms and dynamics – is indispensable when developing suitable targets and implementation options.

Starting with the needs or issues to be solved means not only that there are different roles for different players, but also that the arrangements and division of labour may differ depending on the policy or issue at stake. In consequence, the different contexts of the specific policy matter and access points for improving policy-making in territorial

governance differ from case to case (BMVBS 2012). This in turn affects the appropriateness of alternative governance arrangements. The DG REGIO study (European Commission 2015b) illustrates in more detail the diversity of governance arrangements for energy efficiency and social inclusion. Additionally, the ESPON 2014 guide for better territorial governance shows that arrangements differ according to the policy field addressed.

3.2. Foster diversity of territorial governance arrangements

There are many approaches to territorial governance, depending on the issue at stake and the stakeholders with influence in the field. Since the development and governance context is decisive in determining who should be involved and when, there will always be a huge variety of approaches.

There is a need to develop practices and strategies that are suited to each territory, adapting them with flexibility and pioneering behaviour. 'This may require a major effort but evidence shows that it pays off in terms of delivering the change. Results in terms of accelerated delivery process, smooth implementation, efficient leveraging of territorial resources, more focused strategies and wide social acceptance are evident achievements reported in the analysed cases.' (European Commission 2015a:4, vol. I)

3.3. Foster a new culture in the public sector

While territorial governance can be adjusted to various institutional contexts, it requires a new spirit or culture in the public sector.

Strengthening territorial governance 'requires moving from a compliance-oriented into a more a result-oriented attitude of all the partners and in particular the leading one'. (European Commission 2015a:34, vol. I) In other words, the public sector needs to shift towards an entrepreneurial attitude to solve problems that may be new or unexpected and that require innovative solutions. This also includes more transparent and open communication and clearly formulated objectives developed in a consensus-oriented way. Developing objectives should include clear perceptions of how to realise the objectives in a realistic way, being precise about the policy options and means for implementation.

Multi-level governance supporting Europe 2020 needs a new cooperation culture across levels of governance and policy sectors. With regard to EU Cohesion Policy, this means that efforts are needed to change attitude in the public sector, and to stimulate more cooperation across governance levels and policy sectors as well as a more entrepreneurial attitude to decision-making processes.

3.4. Empower driving individuals

No single stakeholder is designated to drive territorial governance processes. Consequently, there is no defined 'right' to initiate or change territorial governance processes. Change is usually brought about by passionate individuals who take the initiative and cooperate. Individuals with good networks and a broad understanding of governance in the policy field can help to make a start. They can be pictured as drivers and to use their potential, they need a wide and stable contact networks.

The questions that need to be answered are what structures would be best suited to make such individuals step forward and how they should be empowered.

3.5. Advocate territorial governance

In times of declining support for territorial and strategic approaches in policy making, it is important to advocate the need for, and merits of, territorial governance. In order to do so several steps may be needed:

- improve the understanding of territorial governance, i.e. what the term means, how it is used and what policy-making with territorial governance implies;
- illustrate the usefulness of territorial governance by expressing its benefits for policy-making without neglecting its shortcomings, i.e. clarify that territorial governance is not an end but a means for better policy-making and achieving policy objectives;
- provide practical help to policy makers, i.e. highlight what they should consider when following a territorial governance approach.

For the last step in advocating territorial governance, the components and check list for territorial governance developed by ESPON (2014) provide useful input. The focus is on:

- coordinate actions of actors and institutions;
- integrate policy sectors;
- mobilise stakeholder participation;
- be adaptive to changing contexts;
- realise-place-based / territorial specifications and impacts.

Last, but not least, territorial governance processes rely on the administrative capacity of players. In order to apply territorial governance processes successfully, public and non-public players need to ensure that they have the resources to run or get involved in collective decision-making process.

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