

Supporting integrated urban development through EU Cohesion policy instruments – evidence from Croatia

Abstract

The EU Cohesion policy has been trying to formulate its urban dimension for a long time. The latest changes covering 2014-2020 period brought a series of novelties with regard to promotion of the integrated approach to urban development. Within this context, Croatia seized the opportunity to initiate work on its policy framework for urban development, incorporating novel financial and operational mechanisms. This study scrutinizes the measures undertaken to implement the integrated urban development strategy, assessing the extent of its realization. This paper examines the critical steps in setting the integrated approach to urban development. It evaluates to what extent the integrated approach has actually been achieved. For this purpose, a special framework for assessing the success of the integrated approach was developed. Based on the analysis of the documentation and the comparison of approaches in Croatia and other member countries, it is concluded that a relatively ambitious approach has been applied in Croatia regarding the use of Cohesion policy funds for the needs of integrated urban development and that significant effects have been achieved in a relatively short period. These achievements are evident not only in the scale of project financing but also in the substantial enhancement of institutional capacities and inter-territorial cooperation. On other hand, the most significant challenge lies in operationalizing the integrated approach at the project implementation stage, a policy challenge common across the European Union.

***Keywords:** EU Cohesion policy, integrated urban development, urban development strategies*

1. Introduction

Accession to the European Union (EU) brought new opportunities for less developed member states to boost development of regional and local units which can be mainly attributed to the generous financial resources available through Cohesion policy funds. Accession to the EU has also led to application of new policy concepts and instruments developed under the EU Cohesion policy framework that brought new quality to the domestic policymaking. One of the areas where new concepts and instruments have become highly noticeable is urban development, especially since 2014-2020 period. Cohesion policy has over time become a strong promotor of the concept of integrated territorial and urban development. New policy instruments such as Integrated territorial investments (ITI) were introduced in order to support this new concept. However, achieving integrated approach in practice is far from being straightforward policy exercise. First analysis of the 2014-2020 period show that degree of integration of various public policy priorities in an EU-funded urban strategy is medium to low (Huete Garcia et al, 2023). Complexity of achieving integrated approach is even more accentuated for new member states with lack of prior national policy practice in favor of integrated policymaking.

Until joining the EU, Croatia as many other central and eastern European (CEE) member states did not have a developed policy framework for urban development that would include a clear legislative, strategic and financial framework for the actions of stakeholders from the national and local levels. Accession to EU, preparation of the strategic document for the use of Cohesion policy funds in the period 2014-2020 and the adoption of the new Act on Regional Development in 2014, set the basic conditions for the application of a more structured urban development policy approach. Completion of the 2014-2020 period represents an opportunity to analyze contribution of EU-backed policy instruments to integrated urban development at the national level.

The integrated approach to the development of urban areas in Croatia is rarely the subject of scientific papers. Juras Anić (2012) analyzes the involvement of the issue of urban development in the regional policy of Croatia and points to the insufficient representation of the modern approach to urban development in the then legislative and strategic-planning framework of the regional policy. Maleković, Keser and Puljiz (2015) consider the new possibilities of encouraging urban development brought by EU membership, but also the various limitations that cities face in their future exploitation, highlighting the poor experiences of cities with the use of EU funds in pre-accession period. Iharoš and Careva (2020) analyze the process of selecting projects within the ITI mechanism and emphasize the problem of a lack of interdisciplinary

dialogue in the preparation and implementation of urban projects, which consequently leads to difficulties in contracting and realizing projects.

This paper aims to contribute to a better understanding of the integrated approach to urban development through the analysis of the key features of the Cohesion policy-backed instruments applied for urban areas in Croatia in 2014-2020 period. The emphasis is placed on evaluating the success of the integrated approach in policy practice. Before the actual analysis of the Croatian case, the next chapter explains the framework of urban development policy at the European Union level.

2. The Evolution of the Approach to urban development in the context of EU Cohesion policy

2.1. Urban development and Cohesion policy in the period 1989-2014.

While Cohesion Policy primarily targets reducing disparities at the level of member states and European regions, it has major relevance to urban development, simply due to fact that location of numerous supported projects is the urban environment. However, for long period of time Cohesion policy has supported urban development rather implicitly than explicitly. Explicit form of support came mainly in the form of pilot initiatives. Since the late 1980s, EC launched series of different pilot initiatives specifically designed to address urban challenges. These include Urban Pilot Projects, URBAN I, and URBAN II, focusing on urban renewal and addressing social issues in neglected city areas. The launch of these initiatives is primarily the result of numerous academic and *policy* discussions and recent understandings of the impact of the globalization process on cities, which were particularly visible in the area of urban poverty and exclusion, accelerated deindustrialization, etc. (Atkinson, 2000; Le Galès, 2002; Murie and Musterd, 2004). Important features of these initiatives are the high degree of involvement of local stakeholders in the planning and implementation of the initiative and the emphasized multidimensional character. Initiatives financed investments in areas such as the physical renovation of neglected city districts, development of the local economy and employment, measures to preserve the environment, mobility and public transport, and initiatives in the field of culture. Despite their relatively small budget in the overall context of Cohesion Policy, these initiatives have proven the efficacy of an integrated approach to urban

development, offering innovative solutions to urban challenges (Carpenter, 2006; Frank, 2006)¹.

In addition to the launch of URBAN-type initiatives, the European Commission (EC) prepared a series of documents during the 1990s with the aim of encouraging a broader discussion on urban development in the EU. The documents: "Towards an urban agenda in the European Union" (European Commission, 1997) and "Sustainable urban development in the European Union: framework for action" (European Commission, 1998) can be particularly highlighted. Both documents strongly promoted a multi-sector approach to urban development and especially emphasized the need for a multi-level approach that would include all relevant stakeholders in the implementation process in order to ensure the best possible vertical and horizontal integration of activities. At the same time as the activities of the EC, there were continuous discussions on the issue of urban development and urban policy at the level of competent ministers of the member states. The results of the cooperation of the member states are presented in the form of a series of joint documents, among which the "Leipzig Charter on Sustainable European Cities" adopted in 2007 by the ministers of the member states in charge of urban development stands out (European Commission, 2007). It considers the ideal model of the European city of the 21st century and especially emphasizes the need to apply integrated urban development as a development concept at the national level as well as at the EU level.²

It is necessary to highlight two more important aspects that additionally influenced the actions of the EC in the field of urban development in the second half of the 2000s. Although the URBAN initiative was evaluated as very positive in terms of the revitalization of targeted city areas and in terms of *policy learning*, one criticism of the approach concerned the marked selectivity of target areas.³ Namely, 118 urban areas were included in the implementation of the URBAN I initiative, and only 70 urban areas were included in the implementation of the URBAN II initiative, which meant that a significant number of European cities were left out (Cotella, 2019). This issue came to the fore after the accession of 12 new member states in 2004, whose cities were not involved in the implementation of the initiative. Another important aspect is the increasingly strong understanding and emphasis on cities as drivers of

¹ In the framework of the URBAN I and URBAN II initiatives, in the period 1994-2006, around 1.6 billion euros were invested in the territory of the entire European Union.

² In November 2020, the ministers of EU member states responsible for urban policy adopted the so-called new Leipzig Charter, which emphasizes the importance of integrated and sustainable urban development, establishing the principles of good urban management.

³ A more detailed insight into the results of the implementation of the URBAN II initiative can be found in EK (2004) and EK (2010).

development and centres of economic competitiveness, which led to the creation of new development paradigms associated with creativity and innovation as key factors (Florida, 2002; Cocchia, 2014). As a result, the role of cities began to be associated with the implementation of the Lisbon-Gothenburg strategy for boosting the competitiveness of the European Union (Atkinson and Zimmermann, 2016). In such circumstances, the EC proposed two important novelties in the approach to urban development for the financial perspective of 2007-2013:

- integration of the URBAN initiative into operational programs as the fundamental instruments of Cohesion policy implementation.⁴ This was intended to further expand the possibilities of financing projects in cities, including Cohesion policy investments in strengthening the innovation capacities of cities.
- The possibility of financing urban development projects with the support of the JESSICA financial instrument jointly prepared by the EC and the European Investment Bank. Instead of grants, through this instrument, cities were offered the possibility of obtaining favourable loans, guarantees or equity investments for various types of urban projects.

The first novelty enabled the use of funds from the European Regional Development Fund (ERDF) for urban development projects in all cities in the EU (considering that all regions in the EU had the right to use ERDF funds). However, the EU regulation governing the use of Cohesion policy funds for the period 2007-2013 did not foresee any obligation for member states to plan specific amounts of investment intended to encourage urban development in accordance with an integrated and multi-level approach following the conclusions of the Leipzig Charter. The absence of clear requirements for the application of an integrated approach resulted in the national governing bodies responsible for the implementation of operational programs deciding that most activities in the field of urban development are financed within the framework of the classical, sectoral approach and without any assignment of responsibility to cities in terms of selection procedures projects (Atkinson, 2014). The project selection process was organized at the national or regional level on a competition basis, which meant that the cities had no guarantee that the prepared projects would ultimately be selected. As expected, such an approach made it much more difficult to plan project activities in an integrated way in

⁴ In English-language literature, this step is usually referred to as *the mainstreaming of urban policy*.

which links and synergies would be created between different urban development projects (Cotella, 2019).

The second change was intended to increase the overall financial capacity of investment in urban development, especially through the activation of private sector investment, which was on the track of promoting the goals of the Lisbon-Gothenburg strategy. The results of implementation, however, were weaker than expected. It turned out that cities, accustomed to the use of grants, find it very difficult to adapt to more complex financing methods such as the JESSICA instrument, which require specific knowledge and skills that many cities did not have. Therefore, the use of the financial instruments in 2007-2013 perspective was prolonged and goals with regard to engaging private capital remained mostly unfulfilled (Nadler and Nadler, 2018).

2.2. Cohesion policy approach to integrated urban development in the period 2014-2020.

Perceived shortcomings in the implementation of activities in the field of urban development, as well as the growing understanding of the need for a more robust application of the territorial approach in the implementation of EU policies, resulted in the reinvigoration of the urban dimension of Cohesion policy in the financial perspective 2014-2020. One of the important incentives for the change in approach was the addition of territorial cohesion as an equal goal of the Union in addition to the previously established economic and social Cohesion in the founding treaties of the European Union, i.e. in the Treaty of Lisbon from 2009, which sent the EU a strong message that territory is an important factor in promoting competitiveness as well as addressing regional and social inequalities (Faludi and Peyrony, 2011). Also, the change in approach was influenced by the strong echo of the report prepared by Fabrizio Barca in 2009 (Barca, 2009), in which the need for a stronger territorial approach in the planning and implementation of Cohesion policy was particularly emphasized (*place-based approach*). In such circumstances, the EC proposed a series of changes aimed at stronger positioning of the territorial, and especially the urban, dimension in the legislative package of the Cohesion policy for the period 2014-2020. Ultimately, the following important provisions of the legislative package were adopted:

- a mandatory minimum level of investment for sustainable urban development has been established in the amount of five percent of the total funds allocated to a member state through the ERDF
- new instruments were introduced to implement an integrated approach: Integrated Territorial Investment (ITI) and Community-Led Local Development (CLLD). Their application is based on the creation of

territorial strategies and enables the combination of different cohesion policy funds.⁵ Both approaches imply the transfer of certain management powers to local authorities. In the case of ITI, it is the project selection procedure, while in the case of CLLD, the entire implementation is ensured through the so-called local action groups.

- The EC secured 330 million euros for the financing of innovative activities in the field of sustainable urban development.

Based on the provisions of relevant EU regulation on use of ESI funds in period 2014-2020, member states had several options for planning investments in sustainable urban development (SUD) within the operational programs of the Cohesion policy in the period 2014-2020:

- through a special operational program that refers only to sustainable urban development
- through a special priority axis within the operational program, which has a multisector character
- through ITI, which implies investment planning from at least two priority axes of one or more operational programs
- through CLLD.

While the first two options existed before, last two options were a novelty. The extent to which each option was selected depended on the choice of the competent authorities of the member states. According to EC data, around 14.6 billion euros were invested in the 2014-2020 period for the implementation of 1,048 sustainable urban development strategies across the EU managed by cities and municipalities.⁶ This is the largest amount of investment for an integrated approach to urban development in the history of the EU budget, confirming the key role of Cohesion policy when it comes to the urban agenda of the European Union. Furthermore, as table 1 reveals, out of 1,048 sustainable urban development strategies, 77 percent of them were financed from the European Structural and Investment (ESI) funds through the multisectoral priority axis, and only 21.4 percent of them through the ITI

⁵ The most important difference stipulated by the EU legislation between the ITI and CLLD approaches is that in the ITI approach, the implementation is carried out by local authorities, while CLLD is managed by local action groups composed of representatives of the public and private sectors. CLLD follows the tradition from the so-called LEADER approach (acronym from Fr. *Rural Economy Development Actions*) currently applied within the framework of the Common Agricultural Policy, which is why it is used much more often in rural than in urban areas.

⁶ Data retrieved from the website <https://urban.jrc.ec.europa.eu/strat-board/?lng=en&nonSud=false#/where>, accessed 10.1.2024.

mechanism.⁷ Remaining strategies were supported either through single operational program or CLLD. It is also noticeable that the approach of the member countries is quite different when it comes to the geographical scope of the urban strategies. In 39.7 percent of cases the strategies were focused on the administrative area of the city, in 29.7 percent of cases it was an area within the city (city district), and only in 20.4 percent of cases did the strategy cover a wider, i.e., functional urban area. In case of the thematic structure of investments, according to EC data cities most often invested in public city transport and energy efficiency, then to a lesser extent in cultural heritage and other social infrastructure, and in bicycle and pedestrian paths.⁸

Following table summarizes key data of sustainable urban strategies in EU in 2014-2020 period.

Table 1. Key data on sustainable urban strategies in 2014-2020 period

<i>Main features</i>	<i>Categories</i>	<i>% in total number of SUD strategies</i>
<i>Territorial delivery mechanism</i>	Priority axis	77.0
	ITI	21.4
	Operational programme	1.5
	CLLD	-
<i>Territorial focus</i>	City within administrative borders	39.7
	Area within city	29.7
	Functional urban area	20.4
	Other/Not defined	10.2
<i>Population covered by the strategy</i>	<50 thousands	32.1
	50 – 250 thousands	36.8
	250 – 500 thousands	6.7
	500t – 2.5 million	4.7
	> 2.5 million	0.5
	No data	19.3

⁷ Data retrieved from the website <https://urban.jrc.ec.europa.eu/strat-board/?lng=en&nonSud=false#/where>, accessed 10.1.2024.

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<i>Most popular thematic objectives</i>	Shift towards low-carbon economy	89.0
	Social inclusion, poverty and discrimination	87.2
	Environment and resource efficiency	82.2
	Information and communication technologies	33.2
	Education, training and vocational training	17.4

Source: Authors' own elaboration based on the Urban Data Platform (<https://urban.jrc.ec.europa.eu/en>).

The new financial perspective 2021-2027 brought an even greater emphasis on the territorial approach to development. This is most visible through the fact that one of the five key goals of Cohesion policy (Policy objective 5: Europe closer to citizens) is implemented exclusively through one of the territorial instruments: ITI, CLLD or third approach developed and proposed by a member state. Another important change is the increase of the minimum investment amount for sustainable urban development from 5 to 8 percent of the total funds allocated to a member state through the ERDF. These funds must be invested in projects that cities will choose based on their own strategic documents.

3. Croatia's approach to integrated urban development based on Cohesion policy funds

The increasing focus of Cohesion policy on urban development directly stimulated improvements in the Croatia's national policy framework. With the adoption of the new Law on Regional Development in 2014 (Official Gazette 147/14), the urban dimension of development was included in the legislative framework of regional policy for the first time. The law prescribes the classification of urban areas, which are divided into:

- four urban agglomerations - the headquarters of Zagreb, Split, Rijeka and Osijek, with the mandatory inclusion of neighbouring LGUs⁹
- larger urban areas that include local units with more than 35,000 inhabitants (13 units)
- smaller urban areas whose central settlements have more than 10,000 inhabitants or are county seats (25 units).

⁹ The spatial scope of the agglomeration is determined by the decision of the minister responsible for regional development, based on the proposal of the seat of the agglomeration and with the prior opinion of all local units included in the agglomeration and the ministry responsible for spatial planning.

The law also prescribed the possibility that larger and smaller urban areas can include neighbouring units or parts of units with the prior consent of the representative bodies of those units. Also, for the first time, the obligation to create an urban area development strategy (UADS) was introduced, respecting the principles of partnership and cooperation of all stakeholders involved in the process.¹⁰ At the same time, the preparation, monitoring and evaluation of the SRUP must be carried out in accordance with the methodology prescribed by the competent ministry for regional development. Furthermore, the Law from 2014 provided for the participation of urban areas in the implementation of another regional policy instrument - the Development Agreement, which harmonizes the development priorities of the national and county levels, as well as the level of urban areas. However, the amendments to the Law from 2017 (Official Gazette 123/17) omitted the participation of urban areas, and it became an instrument of harmonization only at the national and county level.

Simultaneously with the preparation of the new Law on Regional Development, the Ministry of Regional Development and Funds of the European Union (MRDEUF) carried out preparatory activities for the use of ESI funds for the needs of an integrated approach to sustainable urban development. The key determinants of access are elaborated in the Partnership Agreement of the Republic of Croatia (MRDEUF, 2014). MRDEUF decided to apply the ITI mechanism in a smaller number of the largest urban areas. Ultimately, eight urban areas with population more than 50,000 inhabitants were covered by ITI mechanism.

ITI mechanism is financed through three Cohesion policy funds and two operational programs. Such a funding structure brings an additional level of complexity, especially when considering that there are two separate governing bodies participating in the implementation of the ITI.¹¹ On the other hand, it opened up additional possibilities to pursue multisector investments in accordance with the needs of urban areas. The total planned investments amount to EUR 345 million, of which EUR 253 million refers to the ERDF, 42 million euros from the European Social Fund+ (ESF+) and 50 million euros from the Cohesion Fund (CF). In total, Croatia allocated 4.1 percent of the available Cohesion policy funds for implementation of SUD strategies. For comparison, at the EU-27 level, that share is 3.3 percent, which shows that the

¹⁰ The urban area development strategy is equivalent to the sustainable urban development strategy in the terminology of the Cohesion policy legislation.

¹¹ The managing authority for the Operational Program Competitiveness and Cohesion 2014-2020 was MRDEUF, while managing authority for the Operational Program Effective Human Resources 2014-2020 is the Ministry of Labor, Pension System, Family and Social Policy (MLPSFSP).

Republic of Croatia has invested relatively more in an integrated approach to sustainable urban development than the EU-27 average.

Most of the funding was allocated to the reconstruction of former industrial and military areas and to the modernization of the district heating system (table 2). Unlike majority of member states, cities in Croatia had considerable opportunities to invest in the development of entrepreneurship. Other important areas included public transport and investments in cultural heritage as a function of tourism development. ESF funds were focused mainly on fighting poverty in cities and improving the employability of socially disadvantaged groups.

Table 2. Main funding sources and thematic coverage of Croatia's ITI mechanism

Operational program	Specific objective from the Operational Program	Fund	Allocated funds in millions of euros
OPCC	Specific objective 3a2 Providing a favourable environment for the development of entrepreneurship	ERDF	60,0
	Specific objective 4c3 Increasing the efficiency of the heating system	ERDF	80,0
	Specific objective 6c1 Use of cultural heritage in the function of tourism	ERDF	33,4
	Specific objective 6e2 Restoration of neglected locations (former military and/or industrial areas)	ERDF	80,0
	Specific objective 7ii2 Increasing the number of passengers in public transport	CF	50,0
OPEHR	Specific objective 8ii1 Increasing employment	ESF+	17,0
	Specific objectives 9i1 and 9iv2 Measures to combat poverty and social exclusion and improve access to high-quality social services	ESF+	20,0
	Specific objectives 10iii3 and 10iv1 Improvement of the education system for adults and modernization of the offer of vocational education	ESF+	5,0
TOTAL			345,4

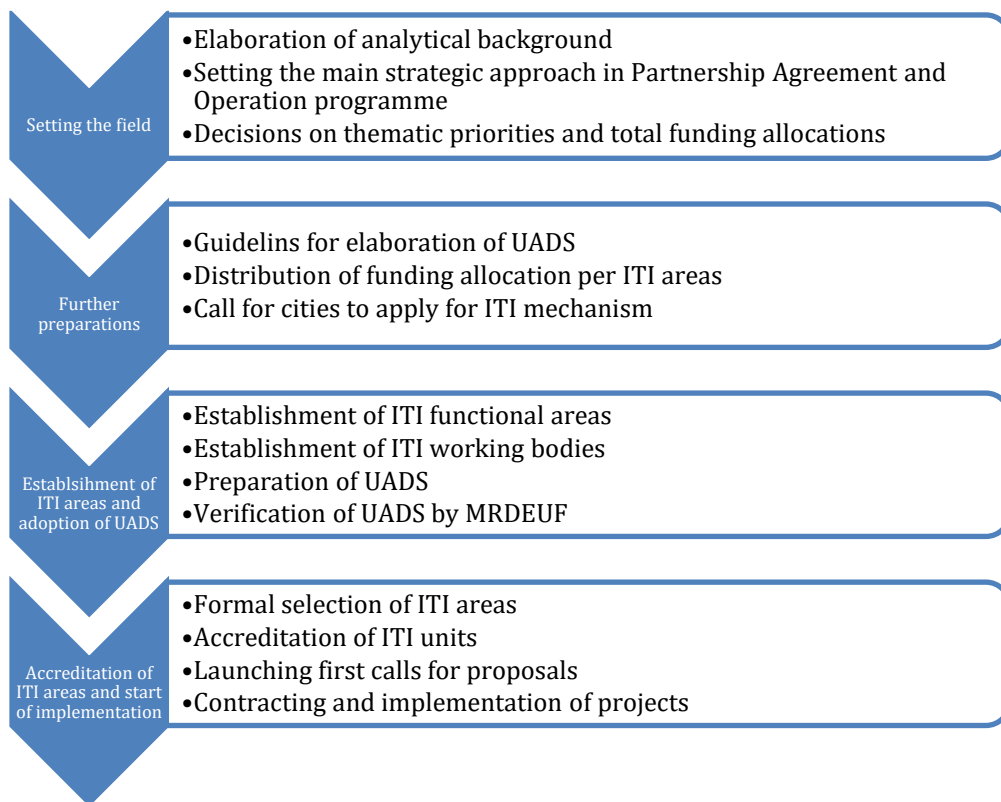
Notes: OPCC - Operational Program Competitiveness and Cohesion 2014 - 2020; OPEHR - Operational Program Effective Human Resources 2014 - 2020; ERDF – European Fund for Regional Development; CF – Cohesion Fund; ESF – European Social Fund.

Source: Authors' own elaboration based on data from OPCC and OPEHR.

The key steps of the application of the ITI mechanism are shown in Figure 3. As can be seen, the establishment of the ITI mechanism was quite a demanding process. It started in 2013 with the creation of the first analytical bases, followed by a series of activities until October 2016, when a decision was made to select urban areas for the application of the ITI mechanism. This was followed by the work on the development of management and control systems

and the accreditation of ITI units in cities, after which the first public call for applications for projects under the ITI mechanism was opened in January 2018. The fact that it was a new mechanism for both Croatia and the European Commission contributed to the length of the procedure for establishing the ITI mechanism. Also, it should be taken into account that the selected cities generally had very limited experience in using ESI funds, which also affected the entire process of establishing the mechanism.

Figure 1. Main steps in establishment of ITI mechanism in Croatia



Source: Authors' own elaboration based on data from MRDEUF

In order to satisfy the minimum requirements from EU regulation on delegation of management responsibilities within ITI mechanism, MRDEUF allowed ITI cities to participate in the project selection process. Also important, cities were invited to participate in the preparation of all public calls for submission of project proposals. Furthermore, they also participated in the work of Monitoring Committee overseeing the implementation of entire OPCC, as well as in a number of working groups related to different aspect of Cohesion policy implementation (for state aid, irregularities, auditing, risk

management, fraud, public procurement, etc). All of the above had a positive effect on strengthening the overall capacity of cities for strategic planning and management since they all lacked any comparable prior experience.

An additional important effect of the application of the ITI mechanism is the establishment of formal cooperation between cities, centres of urban areas and neighbouring units in area of strategic planning and the preparation and implementation of development projects. Unlike some of the member states where the territorial focus is on the administrative boundaries of the city or even individual parts of the city, in Croatia, the focus was on functional urban areas, i.e. areas that include the central urban unit and the surrounding local units. The basis for cooperation was transparent process on the formation of an urban area, within which individual local units voluntarily accessed the urban area based on previously set criterion.¹² This was followed by the cooperation of local units and other stakeholders in the preparation of the UADS, which opened up a number of new possibilities for the preparation of joint projects, which were realized in a certain part during the project implementation phase. Four urban agglomerations and four larger urban areas ultimately included a total of 108 local units (19.4 percent of the total number of units) in which, lived around half of the total Croatian population. This was first time that such massive number of local units joined efforts to prepare strategic documents and common infrastructural and other projects.

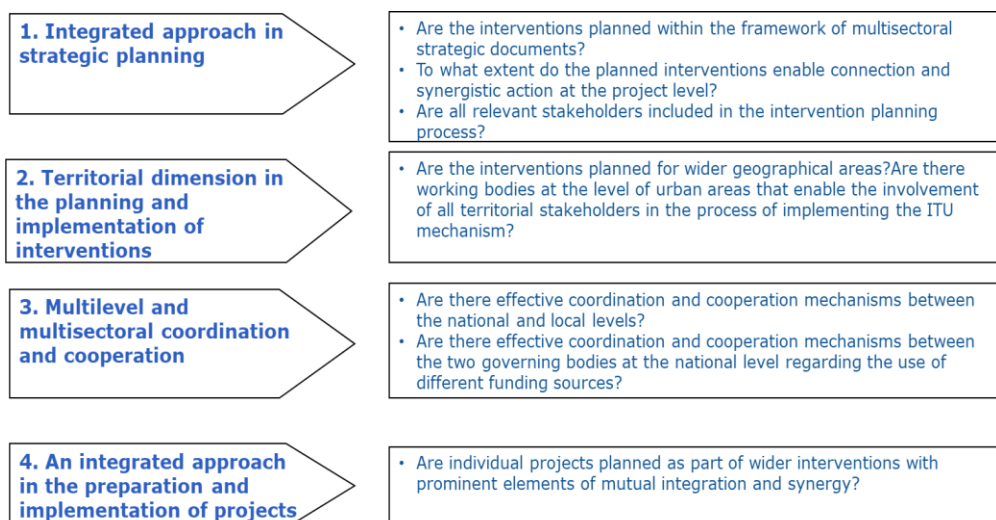
4. Challenges of achieving integrated approach in practice

The application of the ITI mechanism in Croatia brought a number of benefits for the areas involved, especially for the cities of the headquarters of the ITI area. One of the prominent features of the ITI mechanism should be the application of an integrated approach to encouraging urban development, which achieves additional positive effects on the development of individual territories. However, the academic literature, as well as the documents of the European Commission and other organizations, do not provide a single definition of what an integrated approach would entail and how it should be evaluated. Ferry, Kah and Bachtler (2018) consider that an integrated approach to development has four different dimensions: (i) strategic: strengthening synergy between different strategic frameworks as a way to develop a comprehensive, multisectoral strategy for a given territory; (ii) financial: a combination of different funding sources as a way of encouraging coordinated territorial investment; (iii) territorial: supports integration through increased

¹² The basic criterion for the entry of an individual unit into an urban area was a minimum rate of daily migration towards the center of the urban area of 30 percent.

focus on functional areas or some other areas determined on the basis of analytical data; (iv) operational: plans and implements integrated activities, combining different investments to enable the implementation of a more complex and customized set of integrated projects. Medeiros and van der Zwet (2020) analyze an integrated approach to the strategy of urban development in Portugal through six critical issues related to multidimensionality, relevance of effects, long-term perspective based on the peculiarities of the territory, involvement of local partners and appropriate monitoring. Although the guidelines for creating strategies for the development of urban areas published by MRDEUF in 2015 do not contain a clear definition of what precisely an integrated approach entails, they clearly emphasize the importance of a multi-sector and partnership approach, emphasizing that "*...spatial complexity requires an equally complex multidimensional approach to respond to the modern challenges of urban development - a combined cross-sectoral and territorial approach - which should be the result of a structured analysis and planning of the common needs of all relevant stakeholders...*" (MRDEUF, 2015, p. 3). Respecting the previously described approaches, for the purposes of analyzing the integrated approach to urban development in Croatia, four dimensions of the evaluation of the integrated approach were determined together with the key questions. The first and second dimensions refer to the planning phase, and the third and fourth to the implementation phase of the ITI mechanism.

Figure 2. Main dimensions of the integrated approach and key evaluation questions



Source: Authors' own elaboration

Answers to the key questions were collected through the analysis of the documentation of the implementation of the ITI mechanism and based on the results of the previous evaluation study questioning integrated approach with regard to use of ESF+ and ERDF in Croatia (Mousios et al., 2021).. The findings from the mentioned study are mainly based on the conclusions from semi-structured interviews held during the first half of 2021 with representatives of the all eight ITI cities and with representatives of MRDEUF and MROSP as the managing authorities for OPCC and OPEHR.

Table 2. Evaluation of the integrated approach within the ITI mechanism

Dimensions of an integrated approach	Main conclusions from the analysis
Integrated intervention planning	All urban areas have drawn up multisectoral strategies. Investments financed through OPCC and OPEHR related to various sectors such as entrepreneurship, transport, cultural heritage, social services, restoration of neglected areas, etc. All relevant stakeholders were involved in drawing up strategies.
Territorial dimension in the planning and implementation of interventions	All cities have included additional local units in preparation of common development strategy. The territorial dimension was also respected in the implementation phase of the ITI mechanism, given that a large number of projects were financed outside the very headquarters of urban areas. Working bodies have been established at the level of the urban area in the form of partnership councils that bring together key socioeconomic partners. Most urban areas have formed a coordination council that gathers representatives of local governments that are part of the urban area. In addition, the ITI cities have established very successful mutual cooperation, including the exchange of experiences and the harmonization of attitudes in relation to the governing bodies
Multilevel and intersectoral cooperation	Coordination structures were established between the national and local levels with the aim of implementing the ITI mechanism as efficiently as possible. Also, a coordination structure was established between two management bodies (MRDEUF and MLFSP). However, difficulties with regard to the mutual coordination of the work of the two competent management bodies were present, especially in the first years of implementation, which consequently made difficult integrated planning and implementation of projects.
An integrated approach in the preparation and	As a rule, projects are planned and implemented individually without sufficient interconnections. This problem was further exacerbated by the delay in the announcement of public calls for

implementation of projects	financing projects through OPEHR compared to projects funded through OPCC. Nevertheless, there are several examples of joint projects involving multiple local units. Only for very small number of projects, it was possible to functionally connect investments from the ERDF and the ESF+.
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Source: Author's systematization and partial processing of previous findings from Mousios et al. (2021).

The results of the analysis show that the integrated approach in the planning phase was very successful, given that it is based on multi-sectoral strategic documents as well as on the inclusion of wider geographical areas functionally connected to the headquarters of the urban area. In the implementation phase, the application of the integrated approach was only partially successful, which is mainly related to the lack of integrated projects, i.e. project packages that functionally link a number of individual projects, thereby opening up synergistic effects. This is certainly not unexpected, given that achieving integration at the project level is recognized as one of the biggest challenges of an integrated approach to territorial development (Ferry et al., 2018). This challenge was related with, among other things, difficulties in achieving effective coordination between the two governing bodies responsible for the implementation of the ITI mechanism. This issue can be linked to the lack of previous experience in the implementation of similar mechanisms. Among the positive effects in the implementation phase, the strengthening of the development cooperation of local units within a particular urban area, as well as the mutual cooperation of the seat cities of urban areas with regard to the exchange of experiences with the use of the ITI mechanism, should be highlighted. Also, a new communication platform was created between the cities and the central level regarding the planning and implementation of interventions in the field of urban development financed through the Cohesion policy.

The analysis reveals that the integrated approach during the planning phase was notably successful, due to elaboration multi-sectoral strategic documents and setting up broader geographical areas functionally linked to urban centers. However, achieving integrated approach in the implementation phase was only partially successful, primarily due to a scarcity of functionally integrated projects or project clusters that could unlock synergistic effects. This challenge has been exacerbated by the difficulties in coordination between two central-level bodies included in the Integrated Territorial Investment (ITI) mechanism. Positively, the implementation phase fostered development cooperation among local units within urban areas and facilitated experience sharing among cities using the ITI mechanism. Additionally, it established a new communication

channel between cities and the central government for planning and executing urban development interventions.

5. Conclusions

As a result of Croatia's accession to the European Union, a number of new opportunities have opened up for the formulation and implementation of public policies in the field of urban development. The increasingly strong integration of urban development and Cohesion policy has led to the creation of a stronger framework for encouraging urban development in member countries than was previously the case. This was particularly contributed by the provision of the minimum level of investment in sustainable urban development through the ERDF in the period 2014-2020. Funds available through Cohesion policy together with specific rules for the use of these funds in the field of urban development thus ensured the first operationalization of the concept of integrated urban development in Croatia. This also achieved effective implementation of the provisions of the Law on Regional Development related to the formation of urban areas and the creation of multisectoral strategies for the development of urban areas.

In addition to the investments themselves, other, less visible effects of the use of Cohesion policy funds in Croatia in the area of urban development are also very important. First of all, cooperation between the largest urban centres and local units in their surrounding has been strengthened. Available funds enabled the planning and implementation of projects of common interest for larger number of local units. Furthermore, the decision of state authorities to use ITI mechanism led to the first (partial) delegation of the management and control system of the use of EU funds to the sub-national level. Also, new coordination mechanisms were created between the urban areas and national bodies. This has further strengthened the institutional capacity of the largest cities but also created an additional framework for a better understanding of the needs of urban areas by the central level. Together, it ultimately led to a stronger positioning of cities in the context of domestic regional policy. A short and partial analysis of the success of the integrated approach aimed to assess to what extent the approach to urban development through the ITI mechanism was indeed an integrated approach in accordance with the principles from relevant EU documents as well as previous academic research. Based on the assessment of the four dimensions of integration, it can be concluded that a relatively high level of integration has been achieved in Croatia. This was primarily achieved in the intervention planning phase, while in the implementation phase, the preparation of integrated project proposals continues to represent an important challenge.

In conclusion, Croatia has opted for a rather ambitious approach regarding the use of Cohesion policy funds in the field of integrated urban development. The first results achieved with regard to the use of the ITI mechanism in Croatia are a good sign of further strengthening of the integrated approach to urban development in the financial perspective 2021-2027. However, it should be taken into account that, given the level of implementation, it is still too early to assess to what extent implemented investments influenced the quality of life of the residents in targeted urban areas, i.e. to what extent they contributed to the achievement of the strategic goals of the urban development strategies. Therefore, only by carrying out the evaluation of ITI projects after their completion will the full effects of the ITI mechanism be better understood. In this regard, it is worth emphasizing once again the still open problem of an insufficiently clear understanding of what an integrated approach means in practice, that is, how to achieve it at the project level. This also includes the need for better counselling and guidance by the EC regarding the application of the ITI approach, which, according to Tosics (2017), was of insufficient quality in the period 2014-2020 and thus reduced the potential positive effects of the ITI mechanism.

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