

## **Integrated Territorial Investments as a Tool for Regional Development – Polish Experience**

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### **Abstract.**

According to the current cohesion policy of the European Union, territorial approach is a priority, the components of which are urban areas, and for which new objectives, principles and support mechanisms have been defined. The instruments proposed within the framework of the European Union's regional policy are designed and intended to improve the use of EU funds and contribute to the visibility of their future outcomes. Territorial targeting of public intervention entails a number of potential benefits, but also, a whole range of restrictions. Due to the fact that territorial instruments, such as Integrated Territorial Investments (ITI), so far have not been frequently applied in Poland, the introduction of the aforementioned instruments requires some explanation of their essence and the factors affecting their implementation.

The aim of this article is to identify progress in the implementation of the integrated approach to programming, financing and completion of investment activities in urban areas in Poland, and to analyse practical aspects of territorial delimitation of urban functional areas, being a vital link in public intervention in Poland. In order to achieve such a research objective, the following two fundamental questions required an answer. First of all: Does the establishment of a new, territorial approach to social and economic cohesion contribute to material benefits under the regional development policy in Poland? Secondly: Does the institutionalisation of Integrated Territorial Investments (ITI), forcing a number of partners at the local level to become involved, enhance or diminish the impact of regional self-government authorities on regional policy?

The author of this article used, as the basis for her analyses, literature studies and experience of work performed for public sector agencies competent for regional development in Poland (including, among others, the Ministry of Regional Development, the Marshal's Office of the West Pomeranian Voivodeship and the Szczecin Metropolitan Area). In order to obtain answers to the questions stated above, the article introduces some of the basic concepts and assumptions that enabled the author to identify the outcomes of implementing the new cohesion policy dimension in the form of Integrated Territorial Investments (ITI), and to delineate some of the experience in its implementation in Poland to date.

**Keywords:** Integrated Territorial Investments, regional development, regional policy, regional and local management.

## 1. Introduction

The territorial dimension that emerged as an issue in the cohesion policy implemented at the level of the European Union in the perspective of 2014-2020, is a consequence of extensive research and analysis conducted both by the OECD and numerous researchers of this subject. Among those more prominent, we should mention the achievements of Fabrizio Barca, John Bachtler and Przemysław Śleszyński [cf. (Barca, 2009), (Bachtler, Oliveira Martins, Wostner i Zuber, 2019), (Śleszyński, 2013)]. As a result of these and other works, a number of changes and innovative solutions have been introduced, previously disregarded – not only in the past 2007-2013 perspective but also in earlier multi-annual programming periods. The territorial dimension, as incorporated in the regional policy at the EU level in the “Europe 2020” (Commission, 2010) strategic documents and regulations sanctioning the programming and implementation of this policy, resulted in the shift of focus, from barriers to potential development opportunities for individual territories. [More details of the legal, institutional and programming framework, both at the EU and national levels, introducing Integrated Territorial Investments, may be found in the works authored, among others, by (Kogut-Jaworska, 2013) (Kogut-Jaworska 2019) and (Mantey, 2013) (Barca, McCann i Rodriguez-Pose, 2012) (Isola, Leone i Pira, 2017) (Bachtler, Oliveira Martins, Wostner i Zuber, 2019) (Binek, Opravil, Chmelar i Svobodova, 2016) (Goldsmith, 2015) (Noworól, 2013) (Stephenson, 2013) (Milo, 2014).]

### 1.1. Research assumptions

The article is based on the assumption that the objective of ITIs is to contribute to the improved effectiveness of the implemented cohesion policy. The most important ITI targets include:

1. Promoting the development of integration and cooperation in the areas of the largest cities, especially in those where the scale of problems caused by absence of cooperation or complementarity of activities of individual units is at the highest level;
2. Implementing projects that comprehensively respond to the problems and needs of cities and their functional areas;
3. Increasing participation of cities and their functional areas in managing and controlling operational programmes.

Also based on the assumption, as an instrument of regional policy in individual EU member states, the purpose of ITIs is to:

1. Contribute to the development of cooperation and integration in regions, in particular, those where the scale of problems related to absence of cooperation and complementarity of activities of neighbouring local government units, such as municipalities and cities, is the most pronounced;

2. Promote a partnership-based model of cooperation between different local government units in urban functional areas;
3. Implement integrated projects offering a comprehensive response to the problems and needs of cities and their functional areas;
4. Increase the influence exerted by cities and their related functional areas on the form and manner of implementation of activities supported in their area under the cohesion policy.

In order to verify these assumptions, we need to adopt a premise indicating that ITIs increase the efficiency of investments through the implementation of integrated projects that respond to social needs in a comprehensive manner and solve problems of cities and their functionally related areas. A precise selection of the EU aid funds, tailored to the needs and potentials of individual types of regions in Poland, and increased impact of cities and their functionally related areas on the form and manner of implementation of activities supported in their area within the framework of regional policy, is yet another crucial aspect in this process.

### **1.2 Methodological path**

The article tackles the issue of evolution of the Community cohesion policy and offers an analysis of the relationship between the ITI concept and the current paradigm of cohesion policy, while showing challenges, opportunities and limitations in the functioning of ITIs in their current formula in Poland.

The purpose of this article is to identify progress in the implementation of integrated approach to programming, financing and execution of investment activities in Polish regions, and to analyse some of the practical aspects related to the territorial implementation of urban functional areas, forming an important link in public intervention in Poland as part of integrated territorial investments. In order to achieve the research objective stated above, two basic questions required an answer. First of all: Does establishing a new, territorial approach to social and economic cohesion contribute to significant benefits under the regional development policy in Poland? Secondly: Does the institutionalisation of Integrated Territorial Investments (ITIs), forcing involvement of many partners at the local level, strengthen or weaken the influence of regional self-government authorities on regional policy?

The selection of the main research method is a consequence of the nature of the complex phenomenon in question. Notably, it involved literature studies, observations and interviews during the author's work in working groups preparing regional and local governments to absorb EU funds in the 2014-2020 perspective, and during the preparation of the Regional Operational Programme - which is the source of ITI funding for one of the regions in Poland (i.e. West Pomeranian region). Literature studies and observations were carried out, based on such sources of information as documents and acts of national and local law.

## **2. Objectives and general conditions for ITI implementation in Poland**

The Integrated Territorial Investment facility was introduced in Poland on the basis of Article 7 of the so-called general regulation of the European Parliament describing ITI as one

of the forms of implementing sustainable urban development, and Article 36 of the ERDF (European Regional Development Fund) Regulation presenting a direct description of the ITI facility. Among the more important national legal frameworks to implement ITIs, we should mention the Act of 11 July 2014 on the implementation of cohesion policy programmes financed in the financial perspective 2014-2020 (Article 30), and the Partnership Agreement (of 21 May 2014) – the section of the chapter devoted to ITIs, i.e. “Territorial Development Facilities” (item 3.1.2).

In Poland, in cities of regional and sub-regional importance and their functional areas, the implementation of ITIs is the result of the decisions of provincial (voivodeship) self-governments that decided to support such cities and areas through ITIs and negotiated regional operational programmes with the European Commission. The area in which the ITI instrument is implemented is agreed jointly by the regional (voivodeship) self-government and municipalities interested in the implementation of this mechanism. This mechanism is subject to the same implementation principles as ITI in voivodeship cities and their functional areas. It requires tasks to be delegated and the scope of such delegation to be specified in the RPO, and provides for the possibility of using the non-competitive mode. ITI funds in Poland are allocated primarily to:

- development of sustainable, efficient transport connecting the city and its functional area (e.g. introduction of integrated city cards, construction of "park and ride" systems, parking lots and bicycle paths);
- restoration of the socio-economic functions of degraded areas of the urban functional area - the so-called revitalisation (projects combining typically investment-based and soft activities - e.g. reconstruction or adaptation of buildings in a neglected district and activation of its residents who are at risk of social exclusion – those who have been unemployed for a long time, large families, the disabled);
- improving the condition of the natural environment in the functional area of the city (e.g. asbestos removal, protecting the existing green areas in cities, replacing existing heat sources with more ecological ones);
- supporting energy efficiency (comprehensive energy modernisation in residential buildings, e.g. insulation of buildings, replacement of windows and lighting with energy-saving solutions, reconstruction of heating systems);
- enhancing the development of symbolic functions building the international character and supra-regional significance of the urban functional area and improving the access to and quality of public services throughout the functional area (e.g. promotion of a tourist product which is typical of the entire functional area, improving the information system for foreigners, increasing the quality of public toilets, facilities for the disabled, free internet access);
- advancing research and technological development and innovation (e.g. development of services offered by Business Environment Institutions).

According to the territorial approach, ITIs and activities supporting them, are perceived and implemented across the administrative boundaries of local government units. Using the common potential of areas, stemming from their individual advantages and joint action,

jointly overcoming problems and barriers, is essential. Intervention, which is the result of using ITI tools, should be tailored to such integrated areas.

Projects implemented as part of ITI should be integrated and complementary. The scope of objectives may be much broader, however, the important thing is that they relate to at least two of those listed above. The objectives to be implemented are recorded in the territorial contract. They should be directly related to the priority axes and activities of the regional operational programme distributing funds from the EU budget. ITI objectives, priorities and activities need to be directly linked to the EU investment goals and priorities.

In order to obtain EU funds for the implementation of Integrated Investments, certain conditions need to be met – this applies to both functional areas of voivodeship cities, as well as regional and sub-regional cities. Some of the mandatory conditions are: preparation of the ITI Action Programme, the so-called ITI strategy, establishment of the ITI Association, i.e. establishing a form of partnership in an institutionalised manner, e.g. association or inter-municipal association, and having the adequate institutional capacity. One of the more obvious conditions is also the execution of an agreement on the implementation of the ITI with representatives of regional authorities.

*Table 1. Integrated Territorial Investments against the background of the new and old policy paradigm*

Strategies	Old paradigm	New paradigm
Objectives	Sectoral approach	Integrated development projects
	<b>COMPETITIVENESS</b>	
	Identification of numerous elements of the socio-economic structure as competitiveness factors, as a result of overlapping different uncoordinated actions.	The strategic direction of regional policy (spreading growth) implemented in all regions, including in the most competitive centres. Precisely defined competitiveness factors and strategically selected directions for its improvement. A multi-sectoral, territorially oriented approach.
	<b>COMPENSATORY MEASURES</b>	
	Significant emphasis was given to compensatory measures, however, the outcome was opposite to the intended one – the problem of uncoordinated actions has become more serious.	Increasing cohesion as a result of increased absorption capacity (greater flow of capital, people, knowledge and innovation). Special “compensatory” measures individually tailored to the potential of each territory; relevance for the country as a whole, focus on selected areas, in order to identify and take advantage of their potentials, enabling the achievement of the “critical mass” required for further development.
Tools	Subsidies and public aid	Integrated “soft” and “hard” instruments, business environment, social capital, networking, better coordination.
Territorial dimension	Regions treated homogeneously, in disregard of their internal and external diversity. The territorial dimension is poorly represented in consideration; the primacy of the sectoral approach, the	Territorial oriented approach in all development measures (recognition of diversity, strict coordination, multi-level management). Integrated programmes dedicated to areas of strategic intervention, while maintaining spatial integration carried out within the framework of regional

	so-called "poverty algorithm".	policy.
Territorial units	Administrative units. Urban-rural relations disregarded in policy tools; rural areas throughout the country perceived in the same manner.	Functional units. A differentiated approach to various types of territories. A policy adapted to individual locations; the dependence of growth generating areas, functionally related and peripheral areas taken into account. All levels of public administration, social actors and business representatives.
Actors	Government and regional self-government	All levels of public administration, social actors and business representatives.

Source: (Ślupięska, 2013)

### **3. ITI and the effects of implementation of regional policy – findings and results of the analysis**

Analysing the functioning of ITIs within the organisational structures set up in Poland, it can be observed that both the outcomes of the project, achieved so far, and the level of its advancement, produces satisfactory results for the socio-economic development in the regions concerned. ITI is a modern, fairly well used tool for local government cooperation, co-financed by the European Union within the framework of regional policy.

Partnerships of individual cities and surrounding municipalities, established on the basis of executed documents, enable objectives and investments necessary for implementation, as well expected outcomes, to be set jointly. The main part of the financial resources for implementing individual projects stems from regional operational programmes. Establishing partnerships between cities and neighbouring municipalities makes it possible to go beyond the administrative boundaries of units. As a tool for distributing public funds among regions, including those from the EU budget, ITIs may be regarded as a beneficial factor affecting socio-economic development.

The most significant benefits of the application of the new instrument include: development of sustainable, efficient transport connecting the city and its functional area, enhancing the socio-economic functions of degraded urban functional areas, improving the natural environment in the functional areas of cities, supporting energy efficiency and promoting low carbon strategies.

Integrated Territorial Investments help blur the differences between quality of life, equal development and professional opportunities, and although they entail numerous benefits, they are also burdened with the risk of failure. Thus, with regard to each area, the approach must be considered on an individual basis and should focus on problems directly related to the region and its advantages that can be better used, improved or expanded in order to increase competitiveness. The implementation of the ITI Strategy is a long-term process that requires in-depth analyses, research and adequately prepared specialists responsible for creating and implementing strategic development plans. Furthermore, during the implementation of the investment, constant supervision and verification of progress is necessary. Accordingly, both benefits and limitations may apply to many areas, both predictable and those that may emerge unexpectedly, as an element of surprise.

At this point, it should be emphasised that the most important advantage of this modern tool is stimulated cooperation between individual local government units composing the urban functional area. At the same time, the specific character of the region means that joint investments are even more appreciated by their incorporation in the region's perspective programmes. The unquestionable value of ITI is its flexibility. Individual investments implemented as part of the ITI are usually well suited to the needs of individual regions, cities and municipalities.

With Integrated Territorial Investments, some of the tasks related to programme implementation can be delegated to the local level, primarily local authorities, thus guaranteeing their involvement in the preparation and implementation of programmes aimed at developing their region. Even the smallest projects may contribute to the competitiveness and attractiveness of the region by taking into account individual needs, which also translates into increased quality of life of inhabitants. Integrated actions have a positive impact on the ability to solve individual economic, environmental, social and climate-related problems. In a broader sense, by going beyond a specific territorial unit and its administrative boundaries, each implemented project contributes to the strengthening of individual sectors and macro-scale economies.

The presented conclusions show that ITIs may prove to be a significant opportunity, not only to reduce the existing disparities between individual Polish regions, but also to improve the competitiveness of regions in the international perspective, between developed EU member states. Moreover, it can be concluded that the use of financial resources, within the framework of ITIs, in Polish regions, does not only provide benefits as part of the new territorial approach to social or economic cohesion under regional policy, but also makes ITIs quite an important tool of the influence of the local government on regional development. The involvement of many partners at the local level enhances processes the purpose of which is to stimulate regional development and also changes the way of thinking and managing development in the region.

#### **4. Conclusion**

Effective use of the potentials and competitive advantages of the region should incorporate the benefits of establishing partnerships between local and territorial self-governments within the framework of the ITI regional policy tool. The territorial approach, the need to build supra-local partnerships and strategies does not only require joint and coherent diagnosis of cooperation and achievements so far, but above all, forces close, mutual and complementary cooperation in the future. Such cooperation contributes to the achievement of precisely defined goals, which are vital to everyone, through the implementation of a number of coherent projects. By creating and implementing joint projects we are also able to maximise the achievement of intended outcomes in a broad social and economic dimension. The solutions adopted in the new regional policy paradigm have contributed to new community thinking about areas covered by ITI strategies, prompting local decision-makers and social partners to build a community of goals and interests, in such a manner as to enable the undertaken projects to generate a positive impact on the whole ITI area and its adjacent territories.

In a broader sense, it can be assumed that ITIs will facilitate the tailoring of interventions and measures to the needs of local communities covered by the strategy, based on common development conditions and strong functional connections. Managing regional development in this manner is conducive to improving the effectiveness of cohesion policy, both in terms of expenditure and outcomes. Moreover, this approach is based on the assumption of complementarity and coordination of support from varied sources, while referring to the specific character of the area, and in particular, to its natural growth factors, such as resources or functional relationships.

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