

ITI (INTEGRATED TERRITORIAL INVESTMENT) – A NEW TOOL FOR LOCAL DEVELOPMENT FINANCING IN THE PROGRAMMING PERIOD 2014-2020

Georgiana Raluca LĂDARU ¹, Florian MARIN ²

¹ PhD. Lecturer, The Bucharest University of Economic Studies, Romania,
email: raluca.ladaru@eam.ase.ro,

² PhD. Student, The Bucharest University of Economic Studies, Romania,
email: marinflorian_21@yahoo.com

Abstract

The integration of the territoriality principle in the programming period 2014-2020 has validated the emergence of local development tools dedicated exclusively to some clearly outlined areas. One of these tools is the ITI. Romania chose to dedicate such a tool in the Danube Delta region. The importance of the research is linked to present a clear image of the framework in which Romania will implement ITI. Identifying the financial allocations in every operational program, correlation between operational programs, projects which will be submitted, the differences between the values of the projects and allocation are representing a clear contribution of the author. The main outcome is that the paper is that is proving that there is a difference between the vision of the implementation of ITI presented by local actors and the programming documents in terms of allocations. The paper is providing a characterization and highlight, in a coherent manner, the risks arising from Romania's decision to use such a tool and implement ITI in the Danube Delta region. The paper is considering the full set of operational programs and the planning documents promoted by local actors dedicated to the implementation of ITI.

Keywords:

ITI, European funds, Danube Delta, local development

Introduction

In 2016 Europe is facing a range of problems with consequences for the cohesion policy. The issue of refugees, the UK Brexit, pressures from Russia and the arms race across the planet affected in a direct manner the characteristics of the cohesion policy. Moreover, the European Union has become increasingly divided, and several processes of strategic reorientation of the policies pursued by the European Commission have been initiated within it. Western states have become extremely concerned with preserving their own elements of competitiveness, to the detriment of eastern states. Pressure exerted by the developed countries has targeted an allocation of the European resources towards areas that generate significant added value and aimed to support increased competitiveness. The developed countries have a coherent and significant approach, but the states that make up the alliance, friends of cohesion, cannot have, in a short period of time, the growth pace of the developed countries. Therefore, the European Union works in 2 gears or 2 speeds. The difficulty of adapting the cohesion policy in such a context has become increasingly higher, as the development needs in Member States were extremely diverse in nature. The European Commission projections anticipated that the differences in dynamics at EU level will generate a series of problems regarding the adaptation of local policy and tested a number of tools to adapt policies to local level. Community-led local development, integrated territorial investments accounted for two of the piloted tools. They were adapted to the specific characteristics of the organization means of the European Union, namely NUTSs. The economic, social and environmental challenges guided the Commission to lower the decision making to the level of administrative unit or local community. The need

for a multidimensional approach able to put strong emphasis on the territorial aspect has become increasingly large in order to catalyze cohesion at the level of the EU regions and hence the Member States.

The goal of the research is aimed at substantiating the means of integrating Romania's choice regarding the integrated investment tools in the context of the 2014-2020 programming period. In order to achieve this we examined the national and European programmatic documents governing the organization and functioning of ITI Romania. The results of the article highlight a number of features that can affect the success and smooth implementation of the ITI in Romania.

1. Literature review

The difference in dynamics of the mobility of production factors has generated a significant contribution to strengthening inequalities between countries but also within Member States and between different regions. In this respect, local development has sparked a keen interest in public policies, specifically regarding the ability to promote and preserve the regional competitive advantage. Theories of regional development, in order to be successful, must take into account the institutional hierarchies, identify the decision making mechanisms and routes, and understand the role of the main actors, the degree of autonomy, position and relationships. (Blazek, 1993, 1996; Blazek, Uhlir, 2011; Wokoun, Malinovsky et. al. 2008). Several sophisticated mathematical models were developed in time to justify a process of local development, but they can only apply to quantitative models. Skepticism arises because these mathematical models do not integrate elements such as the role of institutions involved in local development, the flow of foreign investment or external inputs in terms of political, social and cultural integration of the regions (Martin, 1999).

In this regard, the involvement of stakeholders and the partnerships of which they may be part can be considered paths to success. This is proved by the success of the Urban II projects. According to the latest assessment of these types of projects, the determining element for the effectiveness of these projects was related to the involvement of the private stakeholders with the public ones, and also to the ownership of the project. (Soto, 2012).

In this respect, the European Commission set, for the programming period 2014 – 2020, a tool that allows the implementation of territorial strategies in an integrated manner, which is called an ITI tool. This tool is not a priority or sub-priority of an operational program, but a vector allowing the implementation of operational programs in an integrated manner. Such an approach enables the allocation of funding from several priority axes for the implementation of integrated territorial strategies (CEMR, 2015).

Research has proven that there is no common vision in terms of integration of the ITI in the system of European structural and investment funds. There is a significant diversity in terms of approaching the ITI instrument, the geographical deployment or theme of the ITI. There is an obvious lack of trust between the management authorities and the local partners in terms of their ability to make decisions and manage effectively and successfully a tool such as the ITI. The role of the management authorities should be to support the local partners in order to stimulate their proactivity regarding the involvement in local development (European Commission, 2016).

Partnership Agreement 2014 – 2020, all operational programs implemented by Romania, planning documents promoted by local actors through governance mechanism, reports made by and for the European Commission and reports made for Romania by World Bank are documents which have been analyzed in order to highlight the risks and the discrepancies identified in the implementation of ITI in Romania. All these are official documents that are reglementing the implementation of ITI.

2. Presentation of the ITI

The ITI can be considered the most advanced tool found in the architecture of 2014 – 2020, and the most flexible tool in the history of the structural funds. The previous statement refers to the fact that the ITI has the ability to generate a better result because it relies on the complementarity between operational programs and the synergy between interventions and the territorial needs. The integration of local actors in decision making, and the possibility of achieving the targeted allocations for the ITI territories without an increase in the amounts allocated for the programs are beneficial elements for this type of tool. Basically, through the ITI funnels targeted funding from the level of the entire ESIs architecture towards some clearly defined territories.

The ITI can also solve one of the most important issues regarding the integration of dynamics and adaptability of local needs in the operational programmes; in the ITI tool the decision may be taken from the bottom upwards or top-down or as a combination of the two methods. Each Member State shall establish its decision making structure within the ITI.

The ITI aims to combine the investment priorities listed in the operational programs with the needs of the local communities, ensuring a perfect synergy between the local needs and operational programs. The integration of territorial needs in the Europe 2020 strategy is an innovative element that provides a balance between the territorial needs and those from the strategic programming documents. The ITI can be considered a super-regulatory element that can generate bureaucracy and may extend the periods for project approval. However, the ITI is considered a flexibility generating tool, but its cost is linked to the emergence of a new decision-making level that occurs in the flow of approval and contracting of projects financed from European funds. Therefore, flexibility is the main benefit of this tool. It should be noted that in a context of institutional diversity and significant needs, too much flexibility can turn into a drawback.

The defining features of the ITI tool, set by the European Commission, are embodied in the following areas:

- The existence of a clearly defined territory – the ITI is a tool of territorial applicability. In this respect, the territory of applicability is an imperative condition.
- An integrated territorial development strategy – this variable concerns the organization of the territorial needs and objectives in such way that the development strategy would have a coherent and efficient nature at the same time.
- The existence of a set of clearly defined actions which are well integrated in the priority axes of the operational programmes – this feature concerns the integration of the needs organized within the programming documents and implicitly in the Partnership Agreement.
- The existence of a governance mechanism for the ITI management – this feature requires the coordination and management of the projects related to the identified needs, needs that are included in the drafts addressing the ITI.

The ITI tool is considered to be innovative by Member States. The author consider that the innovative character derives from the positive effects it generates in the local community at economic and social level. The positive effects generated by the ITI are the following:

- Strengthening some competitive advantages within a clearly defined region or territory to create areas of competitiveness that can contribute to the increase of the added value in the local and regional development.
- Delegating responsibilities to certain local authorities or other local stakeholders.
- Empowering local authorities to increase their involvement in the regional development process along with the regional stakeholders, and setting up a consistent way of working between the public and private stakeholders.
- Creating synergies between the stakeholders at local level, and empowering a wider range of stakeholders.
- The possibility of integrating a wider range of funds for the development of the region.

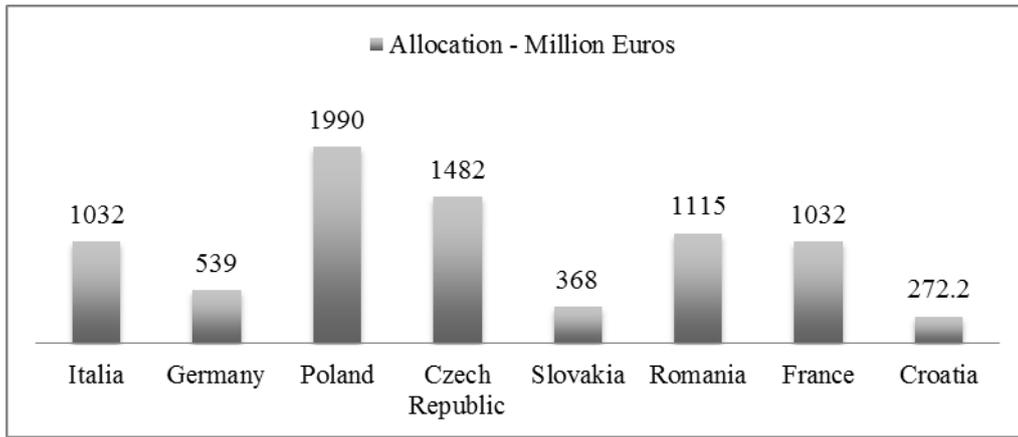
The ITI features involve a process of harmonization of local interests which is often difficult to achieve or is achieved at considerable cost. Cultural diversity of the types of stakeholders and interests as well as the number of institutions involved in the administration of an ITI are elements generating considerable risks that may affect the success of these tools. The ITI can be a beneficial element for regional development, but it cannot be implemented transversally because in certain regions it is extremely difficult to achieve the synergy and cohesion necessary to the successful implementation of an ITI.

The risks arising from the implementation of an ITI, especially the management risks have generated the need for institutional training of the stakeholders involved in the management of an ITI. In the Netherlands, Finland and UK such a process began since 2015 by launching calls for proposals managed in a manner similar to the ITI specificities. This process is supported by the European Commission for the programming period 2014 – 2020 with funds dedicated exclusively to the institutional preparation of the management scheme for the ITI tool.

3. ITI in Romania

Romania has opted for a single ITI in the programming period 2014-2020, which is set in the Danube Delta region. The territory covered by the Danube Delta ITI is aimed at Tulcea County and part of Constanta County. Under the Partnership Agreement, the ITI instrument is clearly presented and integrates all the conditions of the European regulations. Territoriality is ensured by the Danube Delta Biosphere Reserve (problems of this region are the rare and isolated population, specialization and economic vulnerability, and poor access to services). The main pillars of development underlying the ITI tool are: sustainable economic development based on an ecosystem relying mainly on domestic opportunities, such as tourism and agriculture, while increasing life quality and environmental protection. All these development directions require an institutional and management structure effectively coordinates in order to achieve the ITI related indicators.

The institution which acts as the intermediate body for the implementation of the ITI and is acknowledged by the programmatic documents in conformity with the General Registry 1303/2013, article 36 is the ITI Danube Delta Intercommunity Development Association. This includes 38 administrative territorial units and a technical apparatus necessary for project management and implementation.

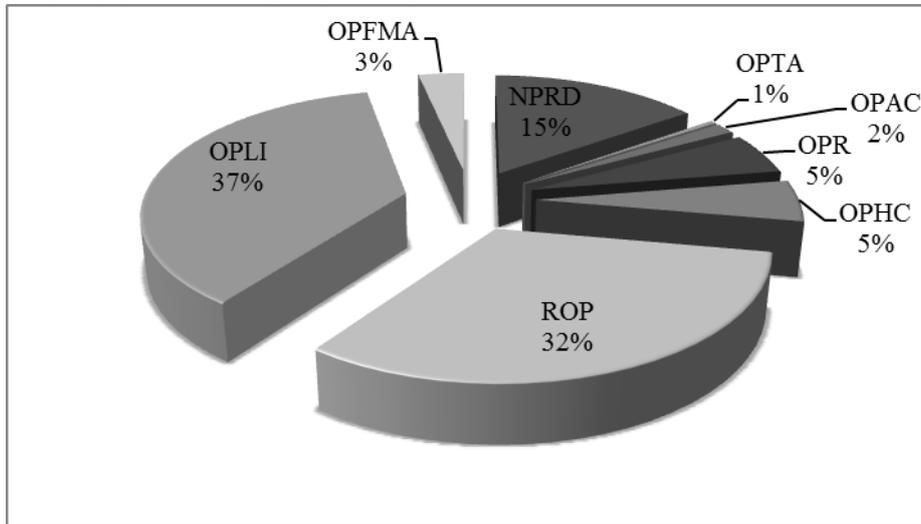


Source: Ministry of European Funds

Fig. 1 ITI allocations by Member State

After the research of the programing documents at the European level we can observe that ITI instrument was chosen by 19 EU Member States, of which 14 targeted the implementation of the ITI as a tool for sustainable urban development. Funding is consistent in some Member States. Apart from Romania, countries such as France, Italy, Poland and the Czech Republic have received an allocation of more than 1 billion Euros from ESIs. However, countries such as Austria, Denmark, Estonia and Scotland chose not to use the ITI in the programming period 2014 – 2020. Romania is the Member State with the highest exposure to the ITI instrument in terms of the number of operational programs that intervene in the implementing of the ITI. It has an indicative allocation from five funds while Spain and the Czech Republic have funded the ITI from three funds. Another peculiarity of our country is the fact that Romania chose the coastal area in terms of territoriality of the ITI. The same choice was made by Portugal and Spain.

ITI allocations within the ESI 2014-2020:



Source: Ministry of European Funds

Fig.2 ITI allocations on operational programs

The highest allocations regard the ROP program (32%) and OPLI (37%). Deadlines for the completion and implementation of a project within these operational programs are often very lengthy and the links or synergies between projects are highly unmanageable variables. Although the allocations for the programs involving infrastructure are considerable, only 3% is allocated for fishing, and 5% for social and human resources in the region. The allocations could be considered disproportionate if we take into consideration the imperative nature of the principle of complementarity. 69% of the entire ITI allocation is in OPLI and ROP that is putting pressure on the capacity of local actors to manage a complex process such as the implementation of a big infrastructure projects like the ones included in OPLI and ROP. The exposure of the financial allocations in ROP and OPLI in priority axis is big and this could affect the synergy between the infrastructure projects and are investments.

Another very important indicator refers to the distribution of percentages or amounts for the ITI, within the operational programs, under the priority axes. If the allocated amount is distributed in several priority axes or measures bureaucracy is greater and requires an increased number of calls for proposals. The indicator is paramount for easy absorption of the amounts for the ITI. The exact amount of money allocated in each operational program and the distribution of amounts by axes for each operational program is the following:

Table 1 Distribution of allocations by priority axis

Program name	Allocation – million Euros	Number of axes/measures
NPRD	168	4
OPTA	5	1
OPAC	16	3
OPR	60	2
OPHC	60	3
ROP	358,11	7
OPLI	407,64	5
OPFMA	37	4

Source: data processed by author/IDA Danube Delta

Note that operational programs receiving the highest allocation as percentage ensures the highest exposure in terms of priority axes. Also, the same can be said about the NPRD and OPFMA programs, which provide an exposure of 4 priority axes. This creates considerable risks in terms of uniformity of the implementation in terms of development strategy underlying the ITI. Certain priority axes could have problems throughout the launching or evaluation or in terms of dynamic differences regarding the management; this could be very different, judging by the experience of the 2007-2013 programming period.

To achieve these objectives within the integrated strategy for sustainable development of the Danube Delta a synergy was achieved between the operational programs and the objectives mentioned in the development strategies. The synergy between the synergy previously mentioned and the operational programs is questionable, as the operational programs were approved first (financial allocations by needs), and the development strategy came afterwards. In order to use the indicative allocations, projects were planned, and this planning covered totally or partially the financial allocations for each operational program.

The status of the projects and their value split by each operational program is the following:

Table 2 Projects according to the indicative allocation

Program	Indicative allocation – million Euros	Estimated value of planned projects/ million Euros	Number of projects
OPLI	407,64	634,2	33
ROP	358,09	581,45	129
NPRD	168	109,5	98
OPHC	60	63	10
OPR	60	115,2	30
POPAM	37	53	10
OPFMA	16	16	2
OPTA	5	5	1
Total	1111,7	1577,35	313

Source: Conclusions of the Operational Work Group on innovative approaches: Integrated Territorial Investment – ITI Danube Delta. ITI implementation status and future actions

The table above shows that the estimated value of the projects planned by the Intercommunity Development Association (IDA) for ITI Danube Delta is higher by 42% of the amount allocated. This percentage may be deemed tolerable considering the percentage of over-contracting in order to maximize the chances of absorbing the amounts allocated. The large number of projects planned to absorb the allocated amounts is relatively large given the structure of local stakeholders. 33 projects involving the large infrastructure or 129 projects regarding local development are considerable figures as the technical and operational capacity of stakeholders from the region level covered by the ITI is relatively small compared to the requirements. Another issue relates to the time the preparation and implementation of such projects entails. For example, until September 2016 just one project was approved under OPLI, concerning the integrated waste management system.

The planning made by IDA ITI Danube Delta highlighted some discrepancy between the value of completed projects and the amount allocated. Regarding NPRD the value of the planned projects is lower by 58.5 million Euros than the allocated amount given that the area covered by the ITI is predominantly rural. Another element derived from the above chart shows that planning projects coagulates considerable value, a value that creates a framework for the involvement of organizations with technical and operational capacity, but this situation is deeply antagonistic with the realities of local stakeholders from the territory covered by ITI.

The way in which the Romanian state institutions are functioning – especially public institutions – should not be taken out of context. The institutional context has not resulted in multi-institutional synergistic approaches so far, and there is no consistency in launching and implementing joint projects, especially complex projects. Since one of the basic pillars of the ITI consists in the integration of all local actors, strengthening a habit of common approach and building a joint management system is an absolute priority to validate the means of integrating an ITI in the structural funds system. However, the ITI is still a huge opportunity for the Danube Delta region, judging from the level of investment. Still, there is an extremely low probability that the rate of absorption of ITI funds will be significant.

The reasons are related to the fact that the launch of the operational programs was related, the number of beneficiaries – legal entities from that area – is relatively small, and their management capacity needs some serious strengthening. The ITI related challenges can be considered a good exercise to ensure an institutional framework and an integrated management process. The large number of institutions involved in the ITI process, a bushy decision making structure, and the environmental conditionality may be considered weaknesses in terms of Romania's choice to use the ITI. However, the choice of Romania regarding the territoriality can generate considerable added value (at least as it does for tourism). The Danube Delta is a region that can attract a considerable number of tourists and it can generate a niche-type of tourism, for a number of educated, high-income clients.

Conclusion

ITI is representing an innovative tool for structural funds system, which brings new variables in the implementation of the operational programs. A dedicated allocation in the most operational programs and encouraging the decision at the local level are considered advantages but in the meantime challenges for a successful implementation of ITI in Romania. The way in which Romania will implement the ITI into the structural funds system provides a wide range of risks that require careful attention. The differences between the allocation in the operational programs and vision of local actors, the discrepancies between the local needs and the allocations, the exposure of ITI in the operational programs and in priority axis, the capacity of the local actors to write and implements projects for implementing ITI are major risks identified by the paper. The value of the projects planned by governance mechanism is bigger than the allocations and this is proving that the values of development requirements are bigger than allocations. The ITI success depends largely on the operational capacity of local actors, their expertise and ability to carry out projects, manage budgets, the ability to work together and create synergies between the interests that govern their activity. The ITI integration in a large number of operational programs and axes/ priority measures enhances the risk of excessive bureaucracy and dynamic differences between the operational programs that may affect the successful implementation of the ITI. Managing authorities, which are responsible for the implementation of the operation programs, could use the findings in order to create the guidelines for implementing ITI in Romania, taking into account the real risks mentioned here. The guidelines linked to operational programs could be shaped in order to create a real link between the financial requirements promoted by Intercommunity Development Association for ITI Danube Delta and the initial allocation of ITI in the operational programs.

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