German Association for Housing, Urban and Spatial Development

STRENGTHENING THE TERRITORIAL DIMENSION

RECOMMENDATIONS FOR A PLACE-BASED EU STRUCTURAL POLICY AFTER 2028

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Contents

1 Background 4

2 Recommendations for a strong Territorial Dimension in the EU Structural Policy 7

2.1 Recommendations to the EU institutions 8

Anchoring integrated territorial development in a binding way 8

Securing a broad thematic scope for integrated territorial development 9

Making strategy development and regional management eligible for funding 9

Recognising existing territorial strategies as a basis 10

Strengthening expert support for the Territorial Dimension at EU level 10

Securing access to the Competitiveness Fund for municipalities and regions 11

2.2 Recommendations to the Member States 13

Pay particular attention to the Territorial Dimension in the NRPPs 13

Promote urban, rural and functional areas in a complementary way 13

Facilitate co-financing and combination with national funds 14

Provide targeted support to regions with lower capacities 14

Organise national support for the Territorial Dimension 15

3 Outlook 17

4 Bibliography 18

IMPRINT 19

1
Background

The negotiations on the European Union's Multiannual Financial Framework (MFF) 2028-2034 will decide not only on the future financial resources available for EU Structural Policy, but also on its steering logic. With the proposed National and Regional Partnership Plans (NRPPs), a more strongly nationally bundled programming approach is moving to the fore, combined with greater thematic openness and stronger results orientation. This can enable simplification and flexibility, but it also carries the risk of reducing regional and local scope for action if territorial approaches are not anchored in a binding way.

The European Commission's proposal for the European Regional Development Fund (ERDF) and the Cohesion Fund for the period 2028-2034, as well as the overarching proposal for the National and Regional Partnership Plans (NRPP) Regulation, contain important points of reference in this regard. It is welcomed that the proposals continue to place the reduction of regional disparities, the promotion of structurally weaker regions, and investments in the social and economic development of all regions and cities of the European Union at the centre. Territorial cohesion therefore remains a central reference point for future EU Structural Policy. The decisive issue, however, will be to underpin this objective in the National and Regional Partnership Plans (NRPPs) with clear responsibilities, budgets and implementation structures.

For this anchoring to succeed, a clear understanding is needed of what is meant by the Territorial Dimension in EU Structural Policy. This paper is based on an understanding that combines four elements:

1. **Integrated development:**
Investments should have cross-sectoral effects and bring together economic, social, ecological and infrastructural objectives. A territorial strategy must not merely be a collection of eligible individual projects. It must connect priorities, an intervention logic and spatial references.

2. **Place-based orientation:**
Funding must take account of different spatial starting points, disparities, potentials and functional interlinkages. The funding logic should not be shaped by administrative boundaries alone, but by real development areas, including urban regions, rural functional areas, urban-rural cooperation areas, border regions and transformation regions.

3. **Multi-level governance and local participation:**
Territorial development emerges through the interaction of the EU, Member States, regions, municipalities, business, civil society, academia and local actors. Local and regional authorities are not only final beneficiaries. They are also carriers of knowledge, coordination and implementation capacity.

4. **Strategy to reduce inequalities and strengthen innovation:**
The Territorial Dimension aims to reduce spatial, economic and social inequalities while mobilising innovation potential. Investments must therefore be channelled specifically into areas shaped by structural disadvantages or transformation pressures partly caused at European level, where European support offers clear added value in addressing these challenges.

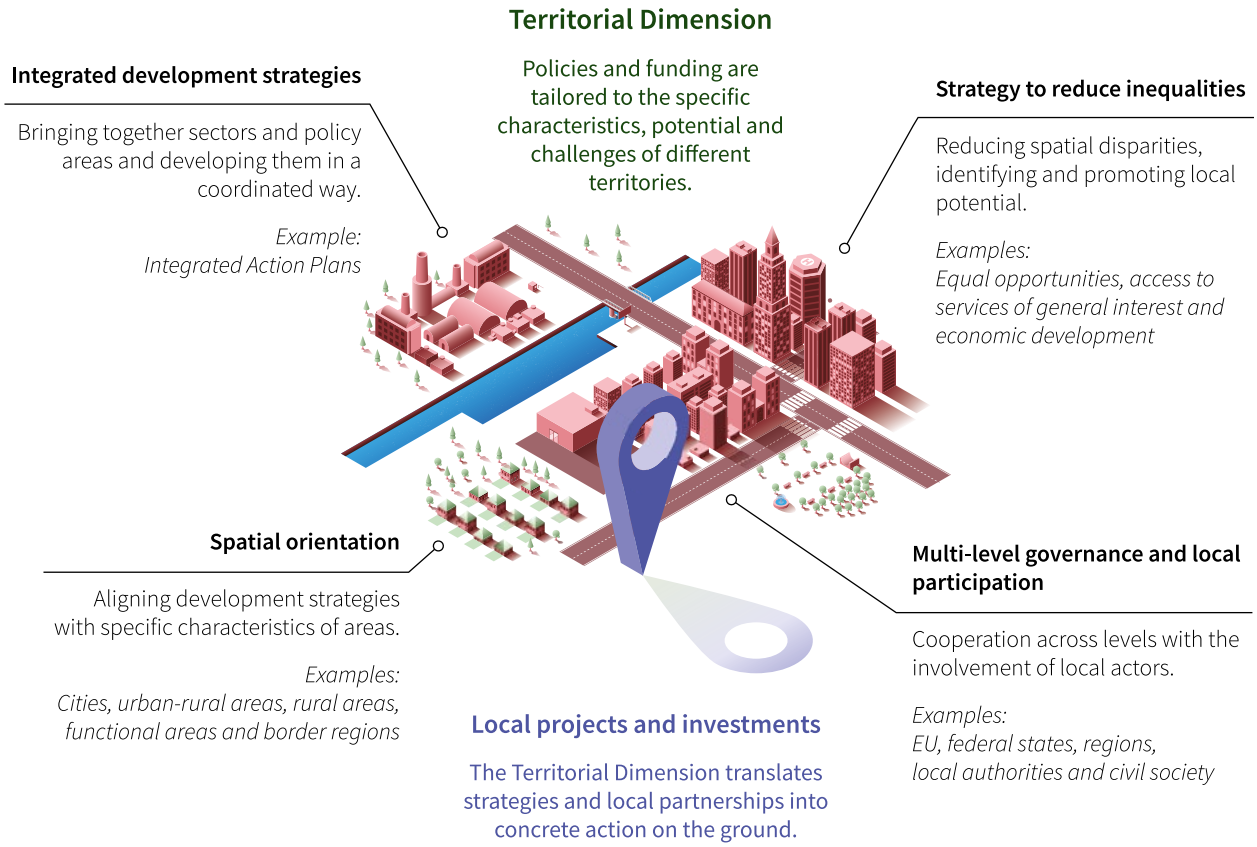


Figure 1: Four elements of a Territorial Dimension

The Territorial Dimension means that policy and funding are adapted to different areas, potentials and challenges. It combines integrated development strategies, spatial orientation, a strategy to reduce inequalities, and multi-level governance with local participation. In this way, the Territorial Dimension translates strategies and local partnerships into concrete projects and investments on the ground.

- Integrated development strategies: Bringing together sectors and policy areas and developing them in a coordinated way. Example: integrated action plans.

- Spatial orientation: Aligning development strategies with specific characteristics of areas. Examples: cities, urban-rural areas, rural areas, functional areas and border regions.

- Strategy to reduce inequalities: Reducing spatial disparities, identifying and promoting local potential. Examples: equal opportunities, access to services of general interest and economic development.

- Multi-level governance and local participation: Cooperation across levels with the involvement of local actors. Examples: EU, federal states, regions, local authorities and civil society.

The Territorial Dimension therefore describes the ability of EU Structural Policy to use EU funding not only for sectoral projects, but in a spatially differentiated, integrated and partnership-based way. It asks not only which topics are funded, but where, with whom, in which functional spatial setting and with what contribution to long-term development.

For a place-based EU Structural Policy, it is essential that the new programming processes do not lead to purely national reform and investment plans. Europe's territorial diversity, from metropolitan areas to large cities, small and medium-sized towns and rural areas, continues to require a funding architecture that recognises spatial differences and translates them into concrete development strategies. Alongside regional development strategies in rural areas, the Territorial Dimension also includes the Urban Dimension, which addresses sustainable urban development. A central challenge is therefore to anchor the Territorial Dimension within the NRPPs in a binding, visible and financially robust way.

The study "The Territorial Dimension of EU Structural Policy in Germany" shows that integrated territorial approaches are already being used in diverse ways in the 2014-2020 and 2021-2027 funding periods. It examines funding approaches in six German federal states and asks how integrated territorial approaches are implemented, what potentials and obstacles exist within the multi-level system, and how coherent support can be secured from 2028 onwards. The key findings are directly relevant for the funding period after 2027. Almost all federal states use territorial instruments to support integrated approaches to regional or urban development. Funding practice also shows a broad thematic scope, including energy efficiency, climate protection, competitiveness, innovation, mobility, brownfield reactivation and services of general interest, as well as different spatial formats such as functional regions, cities, neighbourhoods and inter-municipal cooperation. European studies also show that integrated territorial development has become a central component of EU Structural Policy, while depending strongly on administrative models, regional capacities, the depth of participation and the actual delegation of responsibility.

Against this background, this paper formulates recommendations for the central actors and institutions in the multi-level system of EU Structural Policy, at European and national level. It is based on the results of the above-mentioned study "The Territorial Dimension of EU Structural Policy in Germany" and the study "The Urban Dimension in EU Structural Policy and Funding in Germany". It is complemented by expert exchange with partners from Europe and with actors from the German federal states that already actively use EU funding for integrated territorial development approaches.

2

Recommendations for a strong Territorial Dimension in the EU Structural Policy

2.1 Recommendations to the EU institutions | from page 8

2.2 Recommendations to the Member States | from page 13

2.1
Recommendations to the EU institutions

Anchoring integrated territorial development in a binding way

The EU institutions, consisting of the Commission, the Council and the Parliament, should work to ensure that the Territorial Dimension is anchored in the future regulatory framework as an independent structural principle of EU Structural Policy. This means that integrated territorial development should not merely be retained as an optional implementation method, but should be anchored as a binding component of the NRPPs, the fund architecture and programme steering. In particular, the established territorial instruments, Integrated Territorial Investments (ITI), Community-Led Local Development (CLLD) and other territorial instruments, should be retained and further developed. The category of "other territorial instruments" is particularly important for Germany because it enables national and regional tailored solutions and thus creates the flexibility needed for already existing regional planning approaches.
It is welcomed that Article 75 of the proposal for the NRP Regulation provides a flexible framework for strategies for integrated territorial development and urban development. Support for territorial development should be based on integrated strategies, be able to cover different types of areas and territorial settings, and take account of functional areas and place-based approaches. The proposal therefore takes up central concerns of a place-based EU Structural Policy. This framework should be maintained in the further procedure, underpinned financially and made operationally effective in the NRPPs. The partnership approach with national, regional and local authorities is expressly welcome. Regions, cities and towns should be involved at an early stage in territorial analyses, priority-setting, financial planning and implementation so that the funding architecture reflects actual spatial needs.

Securing a broad thematic scope for integrated territorial development

The EU institutions should ensure that integrated territorial development approaches can continue to address a wide range of topics from 2028 onwards. Territorial strategies usually address several fields of action at the same time, such as economic transformation, climate adaptation, mobility, services of general interest, social infrastructure, innovation, skills supply or land development. The future funding architecture must therefore not be designed too narrowly along sectoral priorities.
It is also positive that the regulation proposals do not understand integrated territorial development in a narrowly sectoral way, but link it to a broad thematic spectrum. The explicit reference to environment, energy, climate, just transition, housing, poverty, cultural heritage, digital technologies, functional urban areas and urban-rural links corresponds to the basic understanding of integrated territorial development. This breadth should be maintained in the further procedure and designed in the NRPPs in such a way that cities, urban-rural areas and rural sub-regions can be supported in a complementary way.

Making strategy development and regional management eligible for funding

The EU regulatory framework should provide that strategy development, network building and regional management are eligible for funding for all territorial instruments. Integrated territorial development requires resilient cooperation structures, moderation, project development, participation, coordination between actors and continuous management.
New or not yet consolidated regional partnerships in particular cannot perform these tasks from their own resources alone. Funds for strategy development and regional management should therefore be systematically anchored in the territorial instruments. This would improve the quality of strategies, facilitate the development of eligible projects and strengthen the implementation capacity of regions.

Recognising existing territorial strategies as a basis

The EU institutions should also clarify that integrated territorial funding does not necessarily require the creation of entirely new strategies. It is welcomed that Article 75 of the proposal for the NRP Regulation already provides a flexible framework for integrated territorial and urban development and also refers to strategies developed in the 2021–2027 funding period with the support of EU instruments. Where robust integrated urban development concepts, regional development concepts, future-oriented concepts, Smart Specialisation strategies, urban-rural strategies or comparable territorial strategies already exist, these should be usable as a basis for territorial funding or be eligible for targeted updating.
This avoids unnecessary planning bureaucracy and accelerates the transition from strategy to implementation. New strategies should primarily be required where suitable foundations do not yet exist or where new regional cooperation structures are being built. The decisive factor should not be the formal creation of a new document, but the quality of the territorial analysis, the integrated objectives, the partnership and the implementation capacity.

Strengthening expert support for the Territorial Dimension at EU level

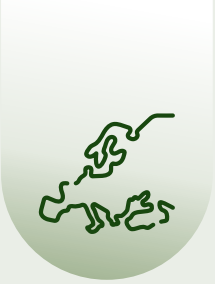
The EU institutions should not only enable the Territorial Dimension legally, but actively support it within existing institutions, procedures and processes. This requires a better link between governance, monitoring, knowledge transfer and capacity building. The STRAT-Board can be further developed for this purpose. It should not only map integrated territorial strategies, but also make information on budgets, implementation models, governance structures, results, capacities and lessons learned systematically available.

The creation of new structures and procedures should be avoided. Instead, existing European support, monitoring and exchange formats should be used and further developed so that territorial approaches can be made more visible, comparable and learning-oriented in their assessment. In this way, the Territorial Dimension could be tracked on an evidence-based basis and politically adjusted within the existing programme steering framework.

Securing access to the Competitiveness Fund for municipalities and regions

The European Competitiveness Fund should operate in a complementary way to EU Structural Policy and help strengthen competitiveness, innovation and transformation where these are translated into concrete territorial strategies, regional partnerships and investment projects on the ground. It should complement territorial innovation and transformation capacities. Local and regional authorities, their agencies and public service providers should be recognised as eligible actors and implementation partners. Cities, regions and municipalities translate competitiveness into concrete investment pipelines, public services, industrial transformation, energy projects and visible results for citizens. The Competitiveness Fund could build on existing territorial innovation systems. Regional innovation ecosystems and local transformation strategies should be used as implementation platforms. This would help avoid duplicate structures and improve the quality of projects.

Regionale Partnerschaften



2.2
Recommendations to the Member States

Pay particular attention to the Territorial Dimension in the NRPPs

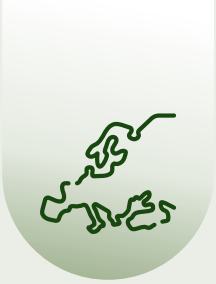
Member States should use the NRPPs as an instrument of a place-based EU Structural Policy. The Territorial Dimension can help bring together different spatial development needs within a common national framework and strategically programme integrated approaches. Member States should therefore aim to anchor integrated urban, regional and functional development strategies in the NRPPs in a financially and programmatically visible way and to strengthen their implementation in a targeted manner.

Promote urban, rural and functional areas in a complementary way

Member States should address the specific characteristics of urban, rural and functional areas in their NRPPs. This should be based on regional and territorial analyses that systematically identify different starting points, development potentials, functional interlinkages and specific support needs. Particular attention should be given to those cities, regions and areas that face special structural challenges or increased transformation needs in terms of cohesion.

It is welcomed that the proposal for the ERDF and the Cohesion Fund explicitly refers to disadvantaged regions and areas and provides for integrated approaches in the National and Regional Partnership Plans for these areas. This orientation should be used consistently in implementation to connect territorial analyses, specific support needs and concrete investment priorities. Cities, regions and areas with structural disadvantages, demographic challenges or increased transformation pressure should be strengthened in a targeted way.

Urban, rural and functional areas should be understood as interlinked development areas, and their respective potentials should be promoted in a complementary way within an integrated territorial development approach. A dedicated focus on rural development can provide important impetus, but should



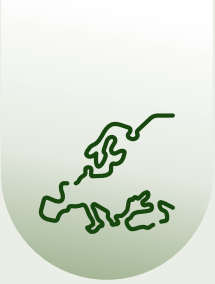
be embedded in a broader territorial logic. Areas of different sizes, urban-rural areas, rural areas, transformation regions and border regions are functionally closely linked. The NRPPs should take up these interlinkages, systematically reflect regional needs and underpin them with concrete investment priorities, responsibilities and budgets.

Facilitate co-financing and combination with national funds

Member States should facilitate the combination of EU funds with national, regional and municipal sources of financing. Integrated territorial approaches are often implemented by municipalities, regional cooperation structures or public bodies that can provide only limited own resources.
Federal and state funds should therefore be used in a targeted way to enable viable co-financing models and to keep the own contributions of project promoters realistic. Co-financing, pre-financing and complementary funds should be designed so that financially weaker areas are not excluded from integrated territorial funding.

Provide targeted support to regions with lower capacities

Member States should provide targeted support to regions with lower administrative capacities, weaker cooperation structures or limited human resources. These areas often have a high need for integrated territorial development, but cannot always manage the complex requirements of EU funding on their own.
Low-threshold advisory services, support for strategy development and project qualification, funding for regional management, and assistance with procurement, state aid law, co-financing and monitoring are required. In addition, funding guides at municipal or regional level should be strengthened. They can support local actors in identifying suitable funding access points, developing eligible projects and submitting applications.
Territorial funding must not benefit only those regions that



already have strong administrative and network structures. Technical assistance could therefore be used in a targeted way for territorial capacities. Many integrated approaches fail not because of a lack of ideas, but because of insufficient project development capacities, co-financing management, procurement expertise, monitoring or inter-municipal coordination. Technical assistance should therefore also reach local and regional bodies directly and become effective particularly where there is a specific need for support in terms of cohesion.

Organise national support for the Territorial Dimension

Member States should organise structured exchange on integrated territorial instruments at national level. Such a national exchange could involve managing authorities, intermediate bodies and line ministries, regions, municipalities, regional management bodies and relevant federal bodies. It should systematically assess experiences with strategy development, spatial settings, governance, project selection, co-financing, indicators and simplification. Technical assistance under EU Structural Policy could be used specifically for such exchange formats.
Such an exchange should support knowledge exchange on the Territorial Dimension in the new programming logic across departmental and governance levels. Because territorial development is a cross-cutting policy, sectoral programmes must be aligned with spatial needs. All administrative units can benefit from this exchange. It could not only disseminate good examples, but also make implementation problems visible.

3
Outlook

The Territorial Dimension remains a core component of EU Structural Policy. It determines whether EU funding from 2028 onwards will continue to arrive in regions, cities and municipalities as a visible, effective and European investment framework. Against the background of a more strongly bundled funding architecture, the planned National and Regional Partnership Plans and a stronger results orientation, clear safeguarding of place-based approaches is needed. Simplification, flexibility and strategic bundling can enable important progress. However, they must not lead to regional differences, local room for manoeuvre and established partnership structures losing importance.

A future-oriented EU Structural Policy must connect European objectives with territorial implementation capacity. Climate adaptation, economic transformation, digitalisation, skills supply, services of general interest, social infrastructure, mobility and housing issues arise differently in different areas. They cannot be addressed through sectoral funding logics alone. Integrated strategies are required that systematically take account of spatial starting points, functional interlinkages, local potentials and specific support needs. Only in this way can European funding become an effective contribution to equivalent living conditions, regional resilience and territorial cohesion.

Stronger bundling of funding instruments can therefore only function if it does not lead to centralisation, thematic narrowing and the loss of local scope for action. Future EU Structural Policy should therefore combine three principles: first, binding territorial chapters and financially robust implementation structures in the NRPPs; second, strong integrated development instruments with broad thematic scope; and third, serious multi-level governance from programming through implementation to evaluation. Member States, regions, cities, municipalities and local partnerships must be involved as carriers of knowledge, strategy development and implementation.

The Territorial Dimension thus offers the opportunity to align EU Structural Policy from 2028 onwards more closely with Europe's actual development needs. It can think urban and rural areas together, strengthen functional areas, reduce regional differences and make European transformation objectives effective on the ground. For this to happen, it must remain visible, binding and financially underpinned in the future regulatory framework, in the NRPPs and in practical implementation. Only then will EU Structural Policy remain an instrument that does not merely assert European added value in the abstract, but makes it tangible through concrete investments, partnerships and improvements on the ground.

4
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