

**THE IMPACT OF STRUCTURAL FUNDS ON LOCAL GOVERNMENT IN THE  
EU:  
CASES OF THE UK (ENGLAND) AND GERMANY**

by  
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## ABSTRACT

### THE IMPACT OF STRUCTURAL FUNDS ON LOCAL GOVERNMENT IN THE EU: CASES OF THE UK (ENGLAND) AND GERMANY

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**Key Words:** European Union, local governance, Structural Funds, horizontal governance, vertical governance, United Kingdom, Germany

The introduction of Structural Funds and the control which the European Commission holds over them have created pressure on cities, whereby they have paved the way for a transition from local government to a networked form of local governance. Accordingly, this thesis examines the impact of European Structural Funds on patterns of governance at the local level and assesses whether they imply a move towards the harmonization of urban governance across the European Union (EU), considering four basic themes: horizontal governance; vertical governance; participation of the community, and policy learning through trans-national networks. Finally, after comparing and contrasting the impacts of Structural Funds on the deliberately chosen case studies, namely the UK (England) —a highly centralized unitary state with weak local authorities— and Germany —a federal state with both constitutionally and politically powerful local authorities—, the study concludes that although the arrival of the EU funding is a primary shock to the existing structures, they did not induce a harmonization among the member states due to their specific circumstances.

## ÖZET

### AVRUPA BİRLİĞİ'NDE YAPISAL FONLARIN YEREL YÖNETİM ÜZERİNDEKİ ETKİSİ: BİRLEŞİK KRALLIK (İNGİLTERE) VE ALMANYA ÖRNEK İNCELEMELERİ

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Anahtar kelimeler: Avrupa Birliği, yerel yönetim, Yapısal Fonlar, yatay yönetim, dikey yönetim, Birleşik Krallık, Almanya

Yapısal Fonlar'ın başlangıcı ve Avrupa Komisyonu'nun bu fonlar üzerindeki kontrolü şehirler üzerinde baskı oluşturarak yerel yönetimlerden örgüsel yapıdaki yerel yönetimlere geçişe yol açtı. Bu bağlamda, bu araştırma Avrupa Birliği'ndeki (AB) Yapısal Fonlar'ın yerel seviyedeki yönetim biçimleri üzerindeki etkilerini incelemekte ve bu fonların Avrupa genelindeki kentsel yönetimler arasında bir ahenk meydana getirip getirmediği konusunu dört ana başlık altında değerlendirmektedir: yatay yönetim, dikey yönetim, toplumsal katılım, ve ülkeler üstü ağlar vasıtası ile öğrenme süreci. Sonunda, bilinçli olarak seçilmiş örnek incelemeleri, yani nisbeten zayıf yerel yönetimlere sahip, oldukça merkezi, üniter devlet yapısındaki Birleşik Krallık'ı (İngiltere) ve anayasal ve politik açılardan güçlü yerel yönetimlere sahip, federal devlet yapısındaki Almanya'yı karşılaştırdıktan sonra, AB kaynaklarının ortaya çıkması varolan yapılar açısından başlangıçta şok edici olmasına rağmen, üye ülkeler arasında, herbirinin içinde bulunduğu farklı koşullara bağlı olarak, bir ahenk meydana getirmediği sonucuna varılmıştır.

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## ABBREVIATIONS

AER	the Assembly of European Regions
CCC	Coalfield Communities Campaign
CSFs	Community Support Frameworks
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ESF	European Social Fund
EQUAL	Community initiative for fighting discrimination in connection with the labor market
ERDF	European Regional Development Funding
EU	European Union
FIFG	Financial Instrument of Fisheries Guidance
GORS	Government Offices for Regions
INTERREG	Community Initiative for Crossborder, Transnational and Interregional Cooperation
LEADER	Community initiative for rural development through innovative local projects
MLG	Multi-level Governance
NGOs	Non-governmental Organisations
RETI	the Association of European Regions of Industrial Technology
SEA	Single European Act
SPDs	Single Programming Documents
URBAN	Community Initiative for Regeneration of Urban Areas in Crisis

**CHAPTER I:**  
**INTRODUCTION**

*“If we want to make European regions and cities more competitive and attractive, within their regional context, the full range of local actors—from citizens to business community to social partners to local authorities—has to be fully included in every step of the planning and implementing of EU policies.”*

*Danuta Hübner, Commissioner for Regional Policy, Fiesule, 14 July 2006.*

**1.1 The European Union and Urban Level**

Cities<sup>1</sup> are the economic, political and cultural centres of Europe. Today, more than 80 per cent of European citizens live and work in cities (European Commission, 1997b). How they live and work depends on the political decisions made not only at local, regional and national level but also at European level. It is undeniable that the economic, cultural and political initiatives of the European Union (EU)<sup>2</sup> have had a profound effect on cities

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<sup>1</sup> “Although identifying cities as one of its ‘target groups’ to enhance participative governance in the EU, the Commission does not clearly identify whom it is referring to” (Schultze, 2003, p. 140). For the purpose of this study, the city is defined as a local unit that is mostly urban in character.

<sup>2</sup> In this thesis the terms ‘European Union (EU)’ and ‘European Community (EC)’ is used interchangeably, even though only EC has been explicitly recognized for the area under examination.

across the continent, both large and small. Around two thirds of the legislation implemented by urban authorities is EU legislation (Kern, 2007).

As a matter of fact, the EU remains ambitious in order to increase its involvement in urban affairs and understand the impact of its policies at the urban level, especially as economic and social cohesion between the regions of the European Union has become a top political priority in Brussels since the beginning of the 1990s. For that purpose, while urban development measures within Structural Funds have been increased in significance, initiatives such as the URBAN I and URBAN II<sup>3</sup> have been created explicitly to facilitate modern and functional cities in the Union.

On the other hand, despite the EU's desire and a growing number of policy-makers and researchers who support the idea that the EU should increase its involvement in urban matters, under the EU Treaty, the EU lacks an explicit urban competence as a complement to its competence in regional affairs. The Treaties of the EU do not provide a mandate for the Commission to develop a European-wide urban policy. As yet, there is no integrated framework for urban policy at the European level as there is for environment, transportation or for regional policies.

The essential story of urban policy in the EU is one of a gradually increased recognition of the importance of cities under the umbrella of regional policy<sup>4</sup> (Hambleton and Thomas, 1995). From its inception, the basic objective of the European Community

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<sup>3</sup> URBAN I and URBAN II are the Community Initiatives of the European Regional Development Fund (ERDF) for sustainable development in the troubled urban levels of the EU for the periods 1994–1999 and 2000–2006.

<sup>4</sup> The subject of 'regional policy' is less obvious than it might first appear. A number of terms has been used to describe the EU activities and instruments related to objectives of 'regional policy'. 'Regional policy', 'cohesion policy' and 'structural funds' are the most common and they are used interchangeably in this study.

was to achieve political integration through economic integration. After a while, when it became evident that this ambition was being blocked by the extent of gap between the richest and poorest regions, EU regional policy was introduced with the aim of permanently reducing the structural disparities which exist between different areas of the Union. Later, in the 1980s, EU Regional policy shifted from a concern with differences between regions to differences within regions. When it came to 1990s, the idea that disparities in cities mattered to the EU slowly emerged on the agenda because of the prevalence of such problems as well as the economic opportunities of cities (Parkinson, 2004). Thus, the EU has gradually developed a strong interest to eliminate the disparities in the so-called ‘disadvantaged’ territorial units below the level of nation-states.

## **1.2 Structural Funds and Urban Governance**

Although outwardly directed at eliminating fundamental economic difficulties on a regional level, EU regional policy has underwritten major urban initiatives in many areas. In the course of time, for local actors the Commission has become a considerable source of finance.

The disbursement of funds, the main activity of the EU that concerns local and regional governments (John, 2000; John, 2001), has provided cities a significant and relatively long-term source of income that is additional to funds emanating from national and regional policies. Despite being small when compared to income resulting from national and regional policies, Structural Funds<sup>5</sup> nonetheless have the impact of

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<sup>5</sup> Local authorities can pursue a number of sources of funding, but the most significant policy instrument has been the Structural Funds among them. Structural Funds—the main

maintaining a budgetary commitment in a domain of public action which the central governments would like to limit or abolish altogether (Smith, 1999).

For many public authorities, especially after the increase in scale of funding in the 1990s, to access these financial resources has almost become the main incentive for engaging with European affairs. However, as the distributive body, the EU sets out some determinative rules for eligibility to the funds and grants its benediction only when its requirements are firmly met. Thanks to the levers of control which the European Commission holds over the Structural Funds, EU grants have forced member states, their regions, and local officials to reassess existing governance structures (Marshall, 2003). Hence, Structural Funds have contributed to a shift from hierarchical and vertical forms of administration toward a networked governance in urban areas.

However, the shift toward networked governance is not a natural trend. With regard to the issue of changing patterns of governance, many scholars suggest that Structural Funds do not provoke a wholesale governance change and point out different impacts of Structural Funds resulting from specific circumstances of each urban area (Bachtler and Taylor, 1999; Smith, 1998; Marshall, 2003). Existing national, regional and local institutional arrangements, distribution of competences between national and sub-national layers of the government, dominant political culture, civil society traditions, administrative arrangements and bureaucratic traditions constrain the development of new methods of working in urban regions. Therefore, it is critical to evaluate and benchmark the impact of Structural Funds on local governance in view of the fact that existing particularities of the member states matter.

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concern of the thesis—are the basic Community funding instruments to combat with differences (Hambleton and Thomas, 1995).

Having mentioned the gradual interest of the EU on urban territorial level and the importance of Structural Funds for the urban governance, aim of this section is first to introduce the research questions, second to explain the content and structure of the case studies, third to give the theoretical framework of the thesis, and finally to provide a brief outline of the thesis.

### **1.3 The Thesis Problem and Research Questions**

The introduction of European Structural Funds and the control which the Commission holds over them has created exogenous pressure on cities (Risse et al., 2001). The implementation of funds first entails a shift from traditional top-down decision making to a governing through broad and informal coalitions of public and non-public actors. Furthermore, it induces partnership based implementations between different layers of government. It also reinforces citizen involvement in the decision making process. Lastly, it entails the creation of networks between and within cities, thereby facilitating the policy learning process in vertical and horizontal forms. Thus, Structural Funding paves the way for a process of urban governance<sup>6</sup> change and institutional adjustment.

Accordingly, the purpose of this study is to assess the effects of the Structural Funds on patterns of governance at the urban territorial level and to provide useful insights and understanding as to whether they imply a move towards the harmonization of urban

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<sup>6</sup> The terms 'local governance' and 'urban governance' are used interchangeably in reference to the differentiated and networked forms of administration appearing in European cities. See, for example, Le Galès, 2002.

governance across the Union, considering four major themes: horizontal governance, vertical governance, participation, and policy learning through networks.

The main research questions to be analyzed during this study are:

- To what extent have the Structural Funds influenced the horizontal forms of governance structures and dynamics?
- To what extent do Structural Funds accelerate new vertical, multi-level forms of governance involving different layers of government?
- Do Structural Funds give a potential opportunity for civil society to participate in urban governance?
- What is the importance of policy learning through trans-national networks offered by the European Structural Programs? Do they enable cities to introduce new policies?

Although the principles embedded in Structural Funds imply substantial prerequisites for the beneficiary of the funds, it is essential to underline the fact that there exist significant differences in the implementation among the member states due to their existing particularities such as organizational structures, distribution of competences between national and sub-national layers of government, civil society traditions, administrative arrangements and bureaucratic traditions.. For that reason, in line with the purpose of this study, another step is taken so as to examine whether those specific circumstances mediate the way Structural Funds are implemented.



Hence, this study examines the validity of the research hypothesis which stems from the questions posed above that “EU Structural Fund programmes have a significant impact on local governance, however their effect varies widely due to the specific circumstances of each city”, and tackles the research questions with an attempt to apply them to two distinct European member states, namely the UK (England) and Germany, within the framework of Europeanisation.

#### **1.4 Content and Structure of the Case Studies**

In this thesis, the two case studies—the UK (England) and Germany—are examined to illustrate the impact of EU Structural Funds on urban governance under the four major themes which consist of new patterns of horizontal and vertical governance, civil participation, as well as the process of policy learning through trans-national networks.

Despite the fact that the disbursement of Structural Funds depends on the realization of the Commission’s requirements for partnership and programming, each urban area develop unique structures to cope with these prerequisites due to their pre-existing structures. The two countries, the UK (England),<sup>7</sup> which is a highly centralized unitary state with weak local authorities, and Germany which is a federal state with both constitutionally and politically powerful local authorities are chosen, on purpose, as case studies; since they provide a convenient ground to make a comparison for the impacts of Structural Funds on the urban areas of two different state structures and local government traditions.

In order to explain how Structural Funds affect urban governance in the UK

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<sup>7</sup> This study focuses primarily on England. Local governments in Wales, Northern Ireland, and Scotland differ profoundly from the English local governments. Therefore, where the United Kingdom is not explicitly mentioned, reference is to England.

(England) and Germany, a detailed understanding of the state structures and intergovernmental relations with an attempt to examine the tension between the centre and sub-national levels, local government structures, the dominant political cultures which particularly determine the extent of the civil society tradition as well as the administrative arrangements and bureaucratic traditions of each country are given. Later, the Structural Fund programmes, implemented between 1988 and 2006 period in each country, and their unique governance arrangements, created to implement EU-funded projects in accordance with the Commission's principles of partnership and programming are examined under four fundamental themes: horizontal governance, vertical governance, participation and policy learning. Finally, whether Structural Funding has provoked significant governance change in urban areas of each country is questioned in a comparative manner.

### **1.5 The Theoretical Scope in Which the Research Questions Fit**

In order to make predictions about the impact of the European Structural Funds and governance change overtime which are sensitive to local context, it is necessary to reconcile different theoretical trends and different level of analysis. Thus, focusing on Europeanisation without disregarding other theories such as multi-level governance, new institutionalism, local governance accompanied by various useful concepts such as policy-networks, extended gate-keeping, and misfit/fit is the major aim in this thesis.

For the purpose of the study, Europeanisation is considered only as the way in which national practices are affected by the EU—so-called upload Europeanisation—but not as the ways in which Europeanized institutions affect the EU entity—so-called download Europeanisation, even though it has been recognized that the process goes both

ways.

## **1.6 Outline of the Thesis**

Seeking answers to the research questions raised above, the study is structured in the following six sections:

The first chapter is the introduction chapter of the thesis.

Chapter two consists of two major sections. The first section briefly gives a theoretical overview regarding the governance effects of European Structural Funds in two parts. The first part introduces the concept of Europeanisation, and the second part presents different perspectives regarding the impact of the EU on local level which are seen as relevant in explaining the thesis argument within a broader conceptual framework. On the other hand, in the second main section, the long-term development of the regulations and norms which govern the use of the European Structural Funds is explained for informative purposes.

In Chapter three, the effects of Structural Fund programmes on the local governance is analysed under four major themes: horizontal governance, vertical governance, community participation, and policy learning through trans-national and cross sectoral networks.

The fourth chapter is the examination of two case studies, Germany and the UK (England), with respect to their pre-existing structures. This chapter systematically evaluates the impact of the European Commission's requirements for partnership and programming embedded into Structural Funds on case studies' local governances with a perspective driven from the content of the thesis, thereby testing their dependence on

existing particularities.

In Chapter five, whether Structural Fund programmes have provoked significant governance change in the urban areas is evaluated. For that purpose, first, the research questions raised in this chapter are re-examined. Second, case studies of Germany and the UK (England) are compared, contrasted and evaluated along with the research hypotheses. Lastly, the findings are discussed in the light of Europeanisation approach.

## **CHAPTER 2:**

### **THEORETICAL OVERVIEW**

This chapter consists of two major sections. The first section is divided into two parts in order to review the main theoretical approaches regarding the impact of Structural Funds on urban governance. The first part introduces the concept of Europeanisation at the urban level and presents the common themes and conclusions that the literature of Europeanisation reveals. On the other hand, the second part presents different concepts and theories with respect to European integration, since it is impossible to de-couple the Europeanisation of urban policies from other fields of European integration.

Following the theoretical explanations, the attention turns in the second section to the Structural Funds, since a careful examination of norms and policies which promote the governance at multiple territorial levels is necessary for a proper examination of the governance impact of European Structural Fund programmes on cities.

#### **2.1 Europeanisation**

In recent years, the study of the European impact on local level has become a growing field of academic interest (Bache, 2005; Kern, 2007; John, 2000, 2001; Marshall, 2004a, 2004b). The literature dealing with European local level has partly been integrated into the debate about Europeanisation following European integration.

The phenomenon of Europeanisation has previously been studied at both national and regional levels. However, numerous scholars from different disciplines emphasize the distinctiveness of cities vis-à-vis other territorial levels of governance (Brenner, 1999; Le Galès 2002; Smith, 1998) and agree that “urban governance has specific characteristics that distinguish it from the broader study of sub-national politics” (Marshall, 2004b, p. 5).

Some authors have seen Europeanisation as a process of changing the understanding of governance and dealt with the questions such as whether Europeanisation establishes new forms of governance (Bache, 2002; Goldsmith, 1993). Bache, defines Europeanisation as: “changes in preferences and/or practices within the domestic arena arising from EU membership” (Bache, 2002, p. 10). Thanks to the unique nature of urban governance, Marshall argues that “it is critical to isolate the phenomenon of Europeanisation in cities from sub-national Europeanisation in more general terms” (Marshall, 2004b, p. 5) and referring to Bache, develops a useful definition, in this context, which is more sensitive to urban level and defines Europeanisation as “changes in preferences and/or practices within local systems of governance, arising from the creation and implementation of EU Structural Fund programmes” (2003, p. 43).

Peter John defines Europeanisation as “...a process whereby European ideas and practices transfer to the core of local decision making as well as from local policy making arenas to the supranational level” (2001, p. 73). According to John’s definition, Europeanisation is a two-fowled process which consist of both “upload” and “download” components (Marshall, 2004a). The download component of the Europeanisation refers to the “changes in policies, practices, preferences or participants within local systems of governance, arising from the negotiation and implementation of EU programmes” (Ibid, p.4). On the other hand, the upload component of the Europeanisation is “the transfer of

innovative urban practices to the supranational arena, resulting in the incorporation of local initiatives in pan-European policies and programmes” (Ibid, p.5). The following research on the impact of EU on the local governance follows a top-down perspective and considers the notion of ‘Europeanisation’ as the ways in which national practices are affected by the EU.

Without denying that Europeanisation is a governance process, another group of authors have put emphasis on Europeanisation as a process of institutionalisation (Marshall, 2003; Risse et al., 2001). Those authors converge around a common assumption that ‘mis-fit’ between formal institutions and policy traditions on the one side and EU requirements on the other side, is a basic pre-condition for any EU-induced change (John, 2001; Risse et al., 2001). The degree of fit or mis-fit between the European institutions and policies constitutes what Risse et al. (2001) identify as ‘adaptational pressure’<sup>8</sup>. That is to say, the lower the fit between European regulations and domestic institutional procedures, the higher the adaptational pressure. The degree of adaptational pressures determines the extent to which domestic institutions and policies would have to change in order to comply with European institutions and policies (Ibid). If the adaptational pressure is low, actors are unlikely to resist EU institutions and regulations since they are consistent with their own principles. Thus, the level of EU-induced change will also be low. However if the adaptational pressure is significant, the level of EU-induced change will be high. In England, for example, Marshall argues that mis-fit between the cohesion-oriented EU

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<sup>8</sup> Risse et al. distinguishes between two ways by which Europeanisation exerts adaptational pressures on domestic structure. First, “European policies might lead to a policy ‘mistif’ between EU rules and regulations, on the one hand, and domestic policies, on the other. These policy misfits then exert adaptational pressures on underlying institutions, particularly political and administrative structures” (Risse et al., p. 7). Second, “Europeanisation might also exert direct adaptational pressures on embedded domestic institutional structures” (Ibid).

policies and competition-based urban policy, pursued by central government since the 1980s, ensured a high adaptational pressure (Marshall, 2004a). In case of significant adaptational pressure, “the presence or absence of mediating factors is crucial for the degree to which domestic change adjusting to Europeanisation should be expected” (Risse et al., 2001, p. 9). Thus, common European policies affect different countries in different ways when mediated by a particular institution of a member state.<sup>9</sup> Risse et al. (2001, p. 1) explain this as “domestic adaptation with national colors” in which national features play an important role.

Built on Risse et al.’s proposal, Marshall (2004b, p.8) envisaged a four-step model which illustrates Europeanisation at the urban level (see Figure 2.1).

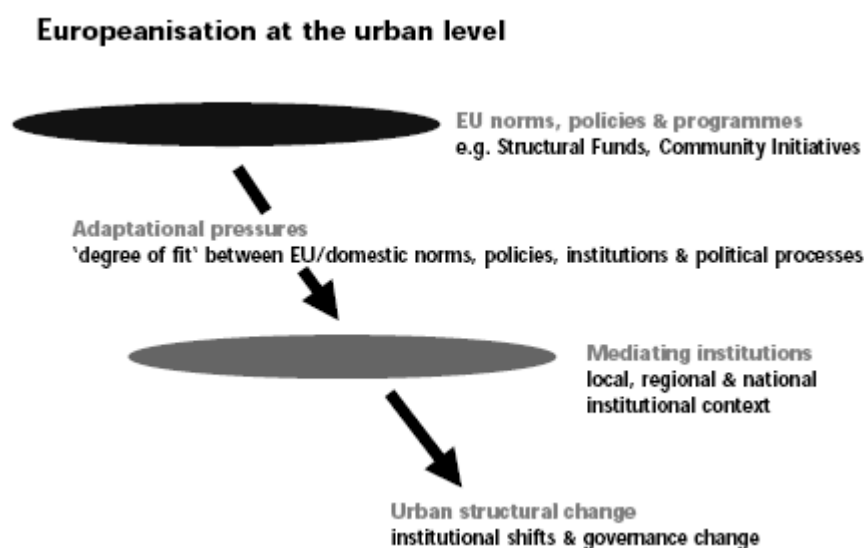


Figure 2.1 Europeanisation at the urban level

<sup>9</sup> According to Risse et al. (2001, p. 2) the extent to which there is a change in response to adaptational pressure depends on five intervening factors: “multiple veto points in the domestic structure, facilitating institutions, a country’s organizational and policymaking cultures, the differential empowerment of domestic actors, and learning”.



The emphasis on mediating institutions gives evidence to the fact that the concept of Europeanisation devotes a great deal of attention to the process of institutional change and “expanding research agenda on Europeanisation is widely informed by ‘new institutionalist’ reasoning” (Walffhardt, 2005, p. 154). Hence, the same EU policy and legislation will have different impacts in different member states, even in different territorial levels within the same member state when mediated by particular pre-existing structures of the members. That is to say, common European rules and policies lead to diverse development paths rather than convergence throughout Europe.

However, the understanding of Europeanisation as an institutionalist process has been criticised for not being sufficient to explain this evolution since there are instances of Europeanisation without adaptational pressure (Radaelli, 2004). It is clear that the explanations for the nature of Europeanisation are not mutually exclusive. Accordingly, in this study, more than one framework is used in order to provide a deeper insight.

## **2.2 Other Perspectives on Europeanisation**

In this section different concepts and theories with respect to European integration are discussed, since it is impossible to de-couple the Europeanisation of domestic urban policies from other fields of European integration. These are, respectively, grand theories, multi-level governance, new institutionalism, and local governance. That will hopefully help to answer the research questions within a broader conceptual framework, and thus will provide a broader understanding to the study.

### **2.2.1 Grand Theories**

The grand theories, namely intergovernmentalism and supranationalism, are primarily concerned with the macro-level bargains which drive integration. However, they are insufficient to explain the degree of Europeanisation on multiple territorial level (local, regional, national and European) since they focus mainly on questions such as why member states integrate, what role supranational institutions play in that process or what form the ‘end-product’ should look like. They do not have the necessary tools to analyse the governance effect at the multiple territorial level since they both overwhelmingly focus on the relation between the member states and Brussels. Scholars following the intergovernmentalist approach suggest that Europeanisation enhances the autonomy of national governments vis-à-vis domestic actors (Moravcsik, 1995). This argument is challenged by the proponents of supranationalist approach who suggest that central government will be weakened by the growing power of supranational institutions as well as sub-national institutions gaining direct access to the European political scene (Jones and Keating, 1995). Marshall points out to the fact that “although both theories address the ‘grand bargains’ which created the EU Structural Funds, neither adequately addresses the process of governance change which the funds have encouraged at sub-national territorial levels” (Marshall, 2003, p. 21).

The intergovernmentalism does not exclude sub-national actors completely, however sees the regional and local actors as the ineffective vehicles which implement the already bargained decisions between the EU and nation states. It can be argued that neo-functionalism is more sensitive to multiple participants according to intergovernmentalism. However, it primarily focuses on the sources of spillover and the rational of spillover necessitate examining solely the interactions initiated from the EU level. Therefore, a middle-ranged

theory such as multi-level governance can be more useful at explaining the impact of Structural Funding on sub-national levels.

Nevertheless, there are still useful concepts in grand theories which may help us examining the impact of structural funds on local governance and those new networked relationships. For instance, Ian Bache adopts the concept of ‘gatekeeping’ from intergovernmentalism which mainly refers to the attempt of central governments to maintain control over policy processes. He elaborates this concept with his term “extended gatekeeping” which refers to the EU-programmes, that local actors participate in but do not have any impact on, as they are mainly under the control of nation-state (Allen, 2005; Bache, 1998). For the purpose of this study, this concept will be helpful especially while explaining the role of the governments in highly centralized and unitary states, as the UK, in the implementation of Structural Fund programmes.

### **2.2.2 Multi-level Governance**

Multi-level governance, the dominant theoretical approach used by scholars to examine changing governance structures in different territorial levels, supports the emergence of European system of multi-level governance where, local, regional, national and European actors share the political power. This approach holds a position against the state-centric model. Although it does not reject the great importance of governments in the decision-making process, it claims that governments are not the centers where the authority is accumulated. Instead of a centre of accumulated authority, different levels of political organizations—European, national and sub-national—form policy networks for collaboration (Hooghe, 1996). As well as increasing vertical interactions between

governmental actors, multi-level governance also empowers non-state actors such as interest groups, civil society organizations and NGOs.

The hypothesis of EU Structural Funds accelerate new forms of urban governance entails both a shift from traditional hierarchical relationships between national, regional and local authorities and creation of new networks including public and non-public actors. Thus, the transformation explained by MLG points out to a similar picture drawn by the process of Europeanisation and presents a useful tool kit for the purpose of this study.

### **2.2.3 New Institutionalism**

Like multi-level governance proponents, new institutionalists intended to examine the changing governance structures in different territorial levels. However, unlike multi-level governance scholars, they also emphasize the significance of institutions which include formal and informal procedures, routines, and norms (Bulmer, 1983). They argue that actors and their decisions play a decisive role, but insist that their interests and goals are shaped and constrained by institutions.

The expanding research agenda on Europeanisation is widely explained by new institutionalism, since by the intensive emphasis on institutions it is possible to highlight the process of change while leaving room for continuity (Walfhardt et al., 2005). Within this paradigm, enquiry into the Europeanisation effects take the form of rationalist, sociological and historical institutionalism due to how the institutions structure actors and their decisions. Rationalist institutionalism assumes that actors are rational, goal-oriented and using their resources to maximise their utilities. On the other hand, institutions are the structures in which individual actors make rational choices. Sociological institutionalism argues that actors endeavor to fulfil social expectations rather than maximising their

utilities and stresses identity-forming roles of institutions which shape the interests of individual actors. Although historical institutionalism, just like the sociological institutionalism, argues that institutions mediate the many social and political forces, it additionally states that, past decisions and events create institutional constraints for the future actors, thereby ensuring the ‘path-dependent’ evolution of the institutions. These institutional constraints shaping governance in the European cities include both exogenous factors; norms and practices surrounding the European Structural Funds and endogenous factors; norms and practices which are unique to each member-state (Marshall, 2003). Accordingly, an attempt to explain institutional constraints in this study will hopefully help to illustrate the long-term institutional effects of EU regional policy at the urban level and why governance change in the long-run is variable both between and within the member-states of the EU.

While profoundly different in their basic principles, these three approaches need not to be mutually exclusive. Rather, they can be used in a complementary manner to analyse the impact of EU policies and norms on member states. However, in the context of this study, Europeanisation from a historical institutionalist perspective seems most relevant since the domestic considerations and cultural differences which enables to make a comparison between the case studies, namely the UK (England) and Germany.

#### **2.2.4 Local Governance**

‘Local governance’ paradigm progressed in the 1990s as an explanation for the increasing fragmentation<sup>10</sup> seen in cities across the Union. The local governance model

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<sup>10</sup> However, the fragmentation of local government beyond the traditional hierarchy does not come without a price since fragmentation has also introduced fragile coalitions.

argues for a shift from traditional, top-down decision-making to a complex, dynamic system with the following principal characteristics (John, 2001):

- horizontal networking instead of hierarchical, vertical authority
- involvement of a broad coalition of actors in the process of decision-making
- development of a ‘steering’ role for the local authority

Since the main concern of the study is to investigate the impact of Structural Funds on local level, the concept of ‘local governance’ will be useful as it attempts to explain the reorganisation of established networks in the cities as well as the reorganisation of the public administrative system. Even though it has been recognized that the funds are by no means the only agents of ‘local governance’ change, for the sake of the study the specific role played by the EU Structural Funding will be formalised as the main exogenous agent of governance change.

### **2.3 Structural Funds**

This section examines the long-term development of the regulations and norms which govern the use of the European Structural Funds, while focusing on the changing role of local governments in the implementation of the funds.

### 2.3.1 The Evolution of the Structural Funds

The Structural Funds<sup>11</sup> are the main financial instrument of European regional policy. They are allocated on the basis of programming periods and support action that focuses on correcting social and economic disparities between and within the regions caused by the creation of a single European Market.

Structural Funds are the most important source of EU economic support for local authorities. Every urban region benefiting from the Structural Funds experience a process of adjustment to some extent, which depending on the norms and governance arrangements codified in the arena of European high politics, affect the operation of local councils, partnership groups, non-governmental actors, etc. This chapter reviews the long-term development of the regulations and norms which govern the use of these Structural Funds in order to furnish the background necessary to explain their impact on local governance, which is discussed in the following chapters. The chapter divides this process

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<sup>11</sup> The Funds originally consisted of the European Regional Development Fund (ERDF), European Social Fund (ESF), and European Agricultural Guidance and Guarantee Fund (EAGGF). Later, in 1993, the Financial Instrument of Fisheries Guidance (FIFG) was added to the Structural Funds. By the Commission's proposals of February 2004, the EAGGF and the FIFG separated from other Structural Funds and included in the agricultural section. Thus, since 2007 two types of Structural Funds are available: the European Regional Development Fund (ERDF) which supports projects such as transport, communication technologies, energy, the environment, innovation, social infrastructure, urban redevelopment, the conversion of industrial sites, rural regeneration, the fishing industry, tourism and culture and the European Social Fund (ESF) which is focused on getting people into work across the EU. Structural Fund programmes also included thematic Community Initiatives and a Cohesion Fund set up to tackle infrastructural deficiencies in the four poorest EU countries: Portugal, Spain, Greece, and Ireland. However, with 2006 reforms all Community Initiatives incorporated into mainstream programmes. For the purposes of this study, the term 'Structural Funds' includes the European Regional Development Fund, the European Social Fund, the European Agricultural Guidance and Guarantee Fund and the FIFG Fisheries Fund for the time period between 1988–2007.

into three main phases: an early phase started by the creation of ERDF; an expansive phase corresponding to the Single European Act (SEA) and Maastricht Treaty reforms; and a final phase characterized by the pressures of enlargement (Cini, 2007).

### **2.3.1.1 The Early Phase Started by the Creation of ERDF**

The Treaty of Rome provided the seeds for the European Regional Policy. However, until the European Community established ERDF, Community's first policy tool, in 1975, an important step was not taken. On the other hand, since the Community imposed very few rules regarding the allocation and implementation of the funds until the 1988 reforms, the Structural Funds did not go further from only being a side payment in the early phases of the Regional Policy.

#### **2.3.1.1.1 The Establishment of ERDF and the Situation Before 1988**

From its inception, the aim of the European Community was to achieve political integration through economic integration. However, in the mid-1970s this ambition was obstructed by the extent of the differences between the richest and poorest regions. This led to the establishment of the European Regional Development Fund (ERDF)<sup>12</sup> in 1975 which has been used to address regional inequalities (Parkinson, 2004).

Initially, the European Commission had hardly any say in the planning and implementation of the ERDF. This process was instead handled by member-states, which were generally able to administer their share of the funds individually. Moreover, the policy-making process did not involve any regional or local authorities since each national

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<sup>12</sup> ERDF is the EC's first policy instrument especially dedicated to the problem of unequal development between EU regions.



government generally decided on their own whether to involve sub-national authorities in designing or implementing projects.

From the establishment of the ERDF in 1975 until the Delors I reforms of 1988, the European Commission imposed very few rules regarding the allocation and usage of the Structural Funds. Thus, for the first decade of its operation, the European Regional Development Fund did not advance from only being a side-payment to member-states.

Two important developments before 1988 provided the political and economic context of the reforms of 1988: the enlargement of the Community to include Spain and Portugal in 1985; and the push towards greater economic and social cohesion with the Single European Act (SEA) of 1986 (Bache and George, 2006).

The accession of Spain and Portugal meant a considerable widening of disparities within in the European Union which required an increase in regional allocations. It was also crucial in promoting the introduction of a new type of regional development programme in 1985, the Integrated Mediterranean Programmes (Bache and George, 2006). Involvement of the Commission in all aspects of the programming and also the involvement of local governments for the first time within these programmes provided the inspiration for the concept of 'partnership'.

Moves to complete the internal market in the 1980s alerted the poorer regions of the Community to the possibility of the concentration of wealth in the core of the European economy, specifically parts of Germany, France, Italy and the UK. In response to the concerns of the poorer regions, the Single European Act expressed the need to enhance the

‘economic and social cohesion’<sup>13</sup> in areas considered to be adversely affected.<sup>14</sup> The adoption of the single market through the Single European Act, in 1987 and the launch of the cohesion concept, initiated a more explicit and structural approach to regional policy. The SEA in 1987 for the first time linked the idea of cohesion to the reduction of regional disparities and thus, set the basis for the European Union cohesion policy, designed to offset the impact of the single market upon less developed areas (Allen, 2005).

### **2.3.1.3 The Expansive Phase Corresponding to the SEA and Maastricht Treaty Reforms**

The creation of ERDF was followed by the 1988 reform after the signing of SEA in 1987 and 1993 reform following the 1991–1993 negotiation of the Maastricht Treaty. These reforms, examined below, brought radical changes in Structural Fund assistance.

#### **2.3.1.3.1 The 1988 Reform (1989–1993)**

In 1987, the SEA called for a reform of the three Structural Funds, ESF, ERDF and EAGGF, through a framework regulating their tasks and effectiveness, and coordinating their activities.<sup>15</sup> The European Council of February 1988 agreed the draft regulation in principle, and also agreed to a doubling of structural fund allocations in real terms between 1987 and 1993 (Bache and George, 2006).

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<sup>13</sup> The term *cohesion* came into use after the SEA of 1986. It describes a range of EU measurements, including the Structural Funds and aimed at reducing economic and social disparities throughout Europe (Bache and George, 2006).

<sup>14</sup> See Article 130A of the SEA (now Article 158 of the TEC).

<sup>15</sup> See Article 130D of the SEA (now Article 161 of the TEC).

### **2.3.1.3.1.1 Provisions of the 1988 Reform**

The 1988 reform brought radical procedural changes in Structural Fund assistance, and significantly changed the power balance in the European political space (Dukes, 2002). It established five priority objectives<sup>16</sup> and combined three independent funds, ESF, EAGGF, and ERDF in order to increase efficiency, and doubled them in real terms. Moreover, it allocated approximately 9 per cent of the Funds to newly introduced ‘Community Initiatives’, for which the Commission had greatest influence over the design and implementation. In addition, the Commission, seeking to free itself from the stranglehold of national governments, sought a more autonomous role for itself, in part by establishing new channels of networking with regional and local partners through developing a comprehensive set of rules governing funds allocation and implementation (Allen, 2005). This instance of large-scale change set a process of adaptation by urban actors eager to seize EU funding opportunities. The 1988 reform thus initiated the Europeanisation of local actors, a process which has continued to the present day (Marshall, 2003).

The 1988 Structural Fund regulation was based on four newly introduced complementary principles: programme planning, partnership, concentration of the

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<sup>16</sup> These are Objectives 1, 2,3,4, 5a and 5b. Objective 1 was dedicated to the development of the least developed areas and Objective 2 to the restructuring industry in regions subject to industrial decline. Objective 3 tended to reduce long-term unemployment rate and improve employment pathways for young people. Objective 4 was targeted to facilitate the adaptation of workers to industrial change. Objective 5a was used for the adaptation of agricultural structures and Objective 5b for the development of rural areas.

resources, and additionality (Pollack, 1998). According to the program planning principle<sup>17</sup> member governments were required to submit comprehensive, long-term regional and local plans, rather than individual development projects, as they had done in the past (Ibid).

The partnership principle was the most salient feature of the 1988 reform of the Structural Funds. In order to improve the vertical coordination of European regional policy, the reform called for the close involvement of local and regional bodies with the Commission and the national authorities throughout the decision-making and implementation processes. It made the consultation of appropriate local and regional authorities a formal requirement for the first time (Bache and George, 2006). Marks (1993) argues that this set the basis for the interest in local and regional actors and the notion of multi-level governance. The partnership principle was an attempt to make Structural Funds more effective by involving the actors who are closest to the problems and priorities of the targeted regions.

The European requirement for partnership has had the most significant impact on governance at the urban and regional level of any EU-created norm. Partnerships have been criticised by some observers as ‘window dressing’ existing only to satisfy the requirements of the Commission for consultation and inclusion (Bache, 1999). Others, meanwhile, are more optimistic and see these structures as an innovative layer in the complex field of European governance (Marshall, 2003). Thanks to the partnership principle, for the first time cities and regions gained a sort of ‘constitutional’ standing in the EU, encouraging

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<sup>17</sup> This was a three-stage program planning process which involves, first, the submission of development plans by the national and regional authorities; second, the adoption of the programmes by the Commission on the basis of Community Support Frameworks (CSFs), embodying the response to the needs outlined in the plans; and, third, the approval of Operational Programs implementing the CSF priorities (Wishlade, 1996).

adjustment and adaptation at the urban level. However, the extent of this change has been dependent on the peculiarities of the individual regions and urban areas (Marshall, 2003).

The additionality principle introduced in the 1988 reform implied that Community funds should be additional to national development funds instead of being replaced as they tended to be in the past (Pollack,1998). On this issue the Commission was actively supported by the local and regional actors (Allen, 2005). Nowhere was this more evident than in the United Kingdom, where governments used Structural Fund allocations to justify a reduction in funding for urban regeneration and regional development (Ibid). This blocking approach to additionality resulted in intense debate between the Commission and the member-states and had a significant impact on the behavior of European-minded local and national actors in the United Kingdom (Ibid).

The last principle, concentration entailed the Commission to concentrate funding on the most needy regions and states through imposing consistent geographical and functional criteria on their management. Until the implementation of the 1988 reform on January 1, 1989, national governments were able to site projects where they saw fit, regardless of the relative economic health of the region. However, after 1988, the principle of concentration ensured that a major amount of the Structural Funds was directed to the ‘areas of greatest need’ as determined by the Commission and the Council rather than the member-states alone. For the 1989–1993 planning period, five social and regional priority objectives were defined according to existing levels of underdevelopment. In this period, the funds were to be heavily concentrated on regions whose development was lagging behind Objective 1 regions where the GDP per capita was less than 75 per cent of the EU average.

Each of these guiding principles has triggered an adaptation process at regional and local level, as individual actors and programme participants have had to come to terms with new European Commission requirements.

#### **2.3.1.3.2 The 1993 Reform (1994–1999)**

The 1991–1992 negotiation of the Maastricht Treaty (Treaty of the European Union) engendered re-examination of regional policy. The Commission again proposed a significant set of revisions, including an increase in the amount of the Structural Funds of up to 35 per cent of the Community budget for the period 1989 and 1993<sup>18</sup>.

##### **2.3.1.3.2.1 Provisions of the 1993 Reform**

Member states' governments tried to change the initial propositions of the Commission for the 1993 reform in several ways in order to increase their control over the operation of the funds (Bache and George, 2006).

The 1993 revision of the Structural Funds made little effect to the objectives and main principles underlying the 1988 reform. The principle of concentration continued to focus on the areas of greatest need. Nevertheless, some amendments were made to the existing priority objectives<sup>19</sup> in order to realize this principle. Member states were given a

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<sup>18</sup> In 1988 Delors I package, member states doubled Structural Fund commitments for the period 1989–1993. Then, in the 1992 Delors II package, they doubled it again for the 1993–1999 period. “These represented increases from around 5 per cent of the Community budget in 1975 to adjust 35 per cent by 1999” (Cini, 2007, p. 294).

<sup>19</sup> Objectives 1 and 2 were not changed. Objectives 3 and 4 were merged to create an Objective 3. The new Objective 4 was designed to facilitate workers' adaptation to industrial and production system changes. Objective 5a maintained its initial goal of accelerating the adjustment of agricultural structure. However a new fund called the Financial Instrument of Fisheries Guidance (FIFG) was added. Objective 5b changed from

crucial role in the designation of Objective 2 and 5b regions. Provisions for the monitoring and assessment of Structural Fund operations were strengthened. The Council also made amendments to the Commission proposal regarding the additionality principle, adding that it should take into account a number of economic circumstances (Bache and George, 2006). It also insisted on the creation of a management committee to facilitate greater national government control over the community initiatives (Ibid).

The 1993 reform also included a reaffirmation of the partnership principle, which was questioned by member-states but defended by the Commission. It was agreed that community operations “shall be established through close consultations between the Commission, the Member State concerned and the competent authorities and bodies – including, within the framework of each member state’s national rules and current practices, the economic and social partners, designated by the Member State at national, regional, local or other level, with all parties acting as partners in pursuit of a common goal” (European Council, 1993). The 1993 formulation of partnership makes clear the tension between the Commission and member states’ governments regarding the governance of the Structural Funds with its emphasis to the ‘each member state’s national rules and current practises’ (Marshall, 2003). However, it can be argued that the end result was the victory of member states—especially that of the UK—which tried to weaken the position of the local and regional actors.

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the ‘development of rural areas’ to the ‘development and structural adjustment of rural’ areas (European Council, 1993).

### **2.3.1.3 The Final Phase Characterized by the Pressures of Enlargement**

The ongoing debate regarding the enlargement of the EU shaped the final phase of the Structural Funds' evolution. Since the inclusion of eastern and central European countries increased the disparities between the member states, implementation of the funds were simplified and concentrated through 1999 and 2006 reforms.

#### **2.3.1.3.1 The 1999 Reform (2000–2006)**

In 1999, the Commission reviewed the Structural Funds for the period 2000–2006. Negotiations for this period took place in the context of an ongoing debate regarding the enlargement of the EU to include countries of eastern and central Europe. Under the 1994–1999 structural fund regulations, all the territories of the countries of central and eastern Europe would have qualified for Objective 1 assistance. Therefore, the eastward enlargement required a change to the existing Structural Fund criteria.

##### **2.3.1.3.1.1 Provisions of the 1999 Reform**

The 1999 reform maintained the major principles of the last period – concentration, programming, partnership and additionality – for the division and distribution of the available funds. However, the Commission proposed that the implementation of the Structural Funds should be decentralized and simplified, and further concentrated. To this end the objectives were reduced from seven to just three<sup>20</sup> and the number of Community

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<sup>20</sup> Objective 1 remained as the standard category for regions whose economic development lags behind that of the Union as a whole. Objective 2, which formerly targeted only areas in serial industrial decline, was expanded to cover industrial regions facing economic reconversion; rural areas requiring diversification; urban areas in decline; and fisheries-dependent areas. Objective 3, covered those regions not covered by the other objectives and aimed at specifically encouraging the modernization of systems of education, training, and employment (Allen, 2005). For the purpose of this study, the broadening of the Objective 2 is significant since the Commission targeted the urban areas explicitly for the first time.



initiatives from thirteen to four. Furthermore, the geographic and demographic coverage of the Funds were restricted so as to achieve maximum concentration. The Commission also proposed three new Initiatives; INTERREG—inter-regional, trans-national and cross border co-operation, LEADER—rural development, and EQUAL—preventing discrimination in the labour market. Moreover, a fourth initiative, URBAN—regeneration of inner cities, was retained by the European Parliament.

The 1999 reform gave more control over policy design and implementation to the member states with the further weakening of the supranational aspects of the Structural Funding. From 2000 onward, the Commission was forced to accept a further watering down of some of its principles, especially that of partnership. The Commission thus began to take a back seat during policy implementation once the initial periods of agenda setting were completed (Bache, 1999). However, the Commission supported the reform, which shifted the overall burden of responsibility away from the Commission, claiming that it did not have sufficient resources to oversee individual projects in detail. While national governments thus regained significant control over Structural Fund allocations, this seems to have occurred for operational and technical reasons rather than any ideological drive to diminish the Commission's power (Marshall, 2003).

#### **2.3.1.3.2 The 2006 Reform (2007–2013)**

The EU's enlargement on May 1st 2004<sup>21</sup> has doubled the development gap between regions, bringing many former recipients above the 75 per cent threshold (Allen, 2005). In this context, the Commission called for a major reform of the cohesion policy in its Third

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<sup>21</sup> On May 1st 2004, ten new countries; Cyprus, the Czech Republic, Hungary, Estonia, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia joined the EU.

Report on Economic and Social Cohesion. The centerpiece of this reform process was the negotiation of a new Financial Perspective for 2007–2013. In February 2004, the Commission published a proposal for budget reform and after many months of difficult negotiations, agreement was finally reached in December 2005.<sup>22</sup> Member states agreed to allocate some 35.7 per cent of EU budget for structural and cohesion funds spending (Bache and George, 2006).

#### **2.3.1.3.2.1 Provisions of the 2006 Reform**

As from 2007, three existing objectives – Objective 1, 2, and 3 – of the Structural Funds were replaced with three new priorities; convergence, regional competitiveness and employment, and territorial cooperation.

The Convergence priority is quite close to the previous Objective 1 and covers the regions with a per capita GDP of less than 75 per cent of the Community average. It aims to help the least-developed member states and regions catch up more quickly with the EU average by improving conditions for growth and employment. It is financed by the ERDF, the ESF and the Cohesion Fund. Regional competitiveness and employment priority, effectively replacing Objective 2 and Objective 3, covers the regions which fell under Objective 1 during the period 2000–2006, which no longer meet the regional eligibility criteria of the Convergence objective, and which consequently benefit from transitional support. It has two major aims: to strengthen the competitiveness, employment and attractiveness of industrial, urban and rural areas other than those which are the most disadvantaged and to promote economic and social changes, innovation, and the

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<sup>22</sup> The final agreement was €864 billion and, €308 billion of this was allocated to Structural Funds (European Council, 2006).

development of inclusive labour markets. It is financed by the ERDF and the ESF. The last priority, the territorial cooperation objective, which is based on the experience of INTERREG<sup>23</sup>, is financed by the ERDF and aims to strengthen cooperation on issues at cross-border, trans-national and inter-regional level.

Furthermore, the Commission removed the EAGGF and FIFG from the Structural Fund programmes to be incorporated into mainstream policies for agriculture and fisheries. Thus, from 2007 only two types of Structural Funds are available: the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

### **2.3.2 Conclusion**

This chapter has argued that the process of EU Structural Fund developments was characterized by the creation of ERDF, the introduction of the SEA and the Maastricht Treaty, and by the pressures of enlargement. The evolution of EU Structural Funds through these steps has gradually helped the emergence of new norms and principles which entailed a greater involvement of non-state actors within the process, whereby provided a stronger horizontal dimension to the increasingly established vertical interactions. Those norms have given rise to significant exogenous pressure that has forced existing institutions and actors at the regional and local level to adapt in order to access EU funding programmes. Thus, they have fostered and encouraged emergence of new governance practices on local level. However, there exist significant variations and differences in the

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<sup>23</sup> INTERREG, along with the other Community initiative programmes—EQUAL, LEADER, and URBAN—no longer exist separately. However their strengths incorporated into the new mainstreams programmes. For example, regarding the URBAN, the Commission transfers the responsibilities to the local governments.

implementation of the principles of the Structural Funds among member states. To explain those variations, and the precise extent of the influence of the EU structural funding on local governance, an elaborate analyse of existing practices in the member states and local levels is crucial.

As a consequence, norms and practices that surround the European Structural Funds are not the only factor shaping governance in the EU assisted cities. National and regional contextual factors of each individual member states also have a profound influence on the new urban governance structures of the cities and their response to the Structural Funds. Having examined, in this chapter, the long-term development of the regulations and norms which govern the use of the European Structural Funds, the individual national context is explained at the beginning of each case study in an attempt to better understand the funds' impact on the urban governance change.

## **CHAPTER 3:**

### **INFLUENCE OF STRUCTURAL FUNDS ON LOCAL GOVERNANCE**

In the views of many scholars, the impact of the European Union on the local level is not just policy responses and short-term strategies which aim to get a bigger slice from the EU budget. It initiates ideas and working practices that can transform the politics at the local level away from a hierarchical and centralized form towards a differentiated, networked governance structure (John, 2001; Goldsmith, 1993). In recent years, the availability of large amounts of Structural Funds and the restrictions placed on them by the European Commission have encouraged the creation of numerous long-lasting urban governance practices aimed at sharing responsibility and action between the state and non-state actors, such as actors from the community and the private sector.

However, those initiatives have faced a number of constraints and contradictions emanating from the factors, as the state structures, historical shaping of intergovernmental relations, dominant political culture, etc. Understanding the magnitude of that change, therefore, entails a detailed analysis of those factors which are specific to each member state. However, in this chapter, the main interest is only by placing the discussion within the context of Europeanisation to understand the direction of change in urban governance which is common to a certain extent for all of the beneficiary cities of the Structural Funds.

As mentioned in the Theoretical Overview Chapter, Europeanisation is only considered as the ways in which local practices are affected by the implementation of EU legislation, but not as the ways in which local institutions and actors impact the EU. That is

to say, in this chapter, the impact of Structural Fund programmes on local government and on the process of governance are analysed from a top-down perspective. In doing this, four major themes are mainly focused on: horizontal governance, vertical governance, participation and policy learning through trans-national networks.<sup>24</sup>

### **3.1 Vertical Governance**

In the 1980s as Hooghe (1996, p. v) mentions “the European Commission, wrote a cheque, and each national government largely decided whether to involve sub-national authorities in designing and implementing projects”. In the 1990s, the amendments made to the constitution of Structural Funds have played a crucial role for a new network-based political system transforming hierarchical government into more interactive governance. The partnership requirement, for the first time, has given regional and local actors a role which brought them into the decision making and implementation processes surrounding the Structural Funds. Cities thus have become formal actors in European arena and developed effective strategies so as to bypass existing domestic structures and gain more autonomy.

While in some countries the demands of multi-level partnership were formally met, in others local governments faced with the resistance of the centers which generally try to maintain their roles as ‘gatekeepers’ (John, 2000). Anderson (1990) argues that partnerships need to be analyzed in the national context. In this respect, the historically

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<sup>24</sup> In order to systematise the impact of Structural Funds on local urban governance, vertical and horizontal level governance effects are described separately in this study although the distinction between them has become blurred as it involves a number of bodies which were established on a regional basis but are not necessarily superior to the local authorities (Meegan, 2005).

constructed relations between the state and local authorities, which is indeed related to the distribution of financial resources among the domestic actors, play a key role as an obstacle for the urban governance adaptation to the EU funding requirements (Getimis and Grigoriadou, 2004). The highly centralized and hierarchically organized states with a lack of a strong system of sub-national governance such as the UK, Spain, France, Italy, Greece, and Portugal generally have kept their gatekeepers role in contrast to fragmented and weak ones with a professionalized sub-national governance system such as Germany, Sweden, Finland, Holland (Kern, 2007). For instance, in the UK, the financial dependence of sub-national authorities on the central state transfers as well as the central role of the state in monitoring the EU funds allocations to the local authorities, have led to the extreme disempowerment of local government. Therefore, initially UK local governments were generally passive and allowed the central-state to play the leadership role in the formulation of the projects.<sup>25</sup> However, in Germany sub-national authorities were more independent, whereby able to access European funds directly.

On the other hand, Marks (1992, p. 217) argues that even in the countries as the UK, which have a strong central-state tradition, “once policy networks linking sub-national governments to the EC have been created, there is no certainty that they can be dominated by national government”. For instance, the Commission was able to shape the creation of regional strategies by encouraging alliances between local authorities in the North West of England (John, 2000).

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<sup>25</sup> However, community programmes such as INTERREG III were exceptions in this respect since they did not necessarily require the involvement of the central governments. Funding decisions were made by the Commission; therefore, these initiatives provided the basis for the establishment of direct ties between the EU and local authorities (Kern, 2007).

As many examples across Europe show, consistently with the argument that Structural Funds have supported the move from local government to governance, national governments do not just act as gatekeepers. Constructive relationships can emerge even in the centralized countries when the Commission becomes directly involved (John, 2000).

### **3.2 Horizontal Governance**

While the 1988 reforms highlighted the need for close consultation between the local authorities, member states and the Commission in the EU funding programmes, the 1993 reforms extended the principle of partnership to voluntary organisations, trade unions, and industry associations. In 1999, the EU extended the scope of the principle to the other relevant organisations, including those working to protect the environment and to promote gender equality (Pearce, 2001). Although the 1988 and 1993 reforms, which required institutionalising of horizontal forms of partnership, initially met with little enthusiasm by most of the member states, near the end of the second programming period (1994–1999) and after great efforts of the Commission, the member states could be pursued to engage in dialogues with the other local governments, and actors from private sector, community and voluntary organizations (Bauer, 2003; Conzelman, 1995). Hence, the introduction of the EU Structural Funds, has paved the way for a stronger horizontal form of urban governance (Bache, 2002).

The Structural Funds have first played a catalyst role in creating new ways for the greater involvement of non-state actors such as non-governmental organisations, trade unions, environmental groups, within the process of governance throughout Europe in the forms of both institutionalised cooperation and project-oriented cooperation. They have



also initiated the new cooperations between domestic, private and public sector partners, who might not otherwise work together. Furthermore, they have created new forms of cross departmental cooperations.

In short, the Commission determination on no national or local authority should administer EU programmes alone led to an adaptational pressure. Responding to that pressure, national and local authorities have worked to improve partnership and joint working arrangements and started to adopt a new steering and facilitating role for themselves, which accelerates the transition from local government to a networked form of local governance.

### **3.3 Participation**

In this study, participation is perceived as the indirect empowerment of communities via interest and promotional groups, contrary to the view which understands participation as the direct and individual involvement of citizens. Accordingly, in both planning and implementation processes of the EU funding programmes citizen involvement from different economic, social and cultural backgrounds to local decision making process has been accelerated through various interest (voluntary organisations, trade unions, industry associations and the other relevant organisations to protect the environment and to promote gender equality), and promotional groups (groups advocating the interest of disabled, unemployed etc.).

Structural Funds have initiated new ways for engagement of actors from civil society in political decision making at the local level as well as supporting existing participation structures. Voluntary and community organizations, which are the channels of

communication between citizens and their governments, become effective participants in the regional policy system, particularly through the negotiation of the Community Support Frameworks (CSFs), Single Programming Documents (SPDs) and monitoring committees. They have been also connected to each other with various new network arrangements.

Although, to what extent those groups are effective in the decision making process as well as to what extent the interests of all citizens are indeed represented by those groups is questionable, it is impossible to ignore the effect of Structural Funds for enabling the involvement of larger groups to the decision making process. The application of participation methods in the local level, however is never apolitical and therefore must be interpreted in the political culture of each member state in order to reach a more accurate result.

### **3.4 Policy Learning through Trans-national Networks**

Trans-national networks are perceived as effective channels for local authorities in order to get access to EU officials, grants and funding programmes, to encourage policy learning from other local authorities and actors across Europe, develop cross border initiatives with counterparts in other member states and to fulfill the Commission's requirements for funding.<sup>26</sup> The changes in the basic structure of the EU funding and

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<sup>26</sup> Trans-national networks do not only serve for exchanging experiences but, at the same time, are considered as a basis for lobbying partners in Europe. However, since the aim of this study is only examining the impact of the EU policies from a top-down perspective, this aspect of the trans-national networks is not taken into consideration.

increase in the amount of it in the late 1980s, has therefore provided a new impetus for the creation of the new trans-national networks of local and regional authorities.<sup>27</sup>

Despite the resistance from the central governments, local and regional authorities even in most centralized countries have developed economic and political relations with other cities and regions through trans-national networks (Le Galés, 2002). Kern (2007) distinguishes three different ways of cooperating between cities through those networks; bilateral city twinning (sister cities), trans-national city networks, EU-funded projects. The primary goal of the city twinings was very much cultural and peace-related (Le Galés, 2002) rather than the exchange of experience and the transfer of best practices.<sup>28</sup> In 1989 the Commission introduced a 'Town Twinning Programme' in order to establish new partnerships and to further existing ones (Kern, 2007). Today, they are still restrained mainly with cultural missions. However, they can serve as an excellent basis for the establishment of trans-national city networks and for finding partners for European funded projects (Ibid).

In contrast to city twinning, trans-national city networks' main functions have been to facilitate learning from other cities for the transfer of best practices which requires the existence of direct ties between cities as well as representing their members' interest in Brussels. Benington and Harvey (1999) clustered them into three categories as sectoral networks, territorial networks and thematic networks. Trans-national sectoral networks of

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<sup>27</sup> However, the history of direct cooperation between cities through trans-national networks of local authorities are not new in Europe. It is possible to find similar structures since at least the beginning of the 20<sup>th</sup> century between the European and US cities (Le Galés, 2002).

<sup>28</sup> The idea of twin city partnerships was developed after the First World War. However twinning went through a golden period only after the Second World War in which mostly Franco-German agreements were promoted since twinning was seen as a way for reconciliation (Kern, 2007).

local authorities such as the Coalfields Communities Campaign (CCC), the Motor Industry Local Authority Network often concerned with the European restructuring of key industrial sectors impact on regional and local economies. On the other hand, territorial networks representing the interest of cities in different European member states, with common interests such as Eurocities, Atlantic Arc, based on place. Thematic networks such as European Anti-poverty network originates around particular policy issues (Ibid).

Besides city twinning and trans-national city networks, which are long-term relationships, cities become involved in short term projects funded by the EU. Project networks sometimes overlap with existing city twinings and trans-national networks. Thus, long-term relationships are used to stabilize short-term projects.

It is difficult to understand the effectiveness of the networks on local governments. A survey conducted by CPMR reveals that those networks tend to concentrate their energies on the operating of the system because of the absence of a common European framework rather than on the production of real projects (CPMR, 2001). However, it is obvious that within these networks actors have a higher chance to learn from each other, exchange policy, ideas and innovations. They provide 'economies of scale' in the resources which their members can access easily (for example, pooling of information, intelligence and expertise) (Benington and Harvey, 1999). Benington and Harvey (1999) argue that they have also a chain reaction affect, in which local authorities, who gain the knowledge of each other through a particular trans-national network, sometimes collaborate in other programmes.

To sum up, Structural Funds facilitate the creation of new networks between cities and new practices are transferred through those networks. Although the formation of

complex trans-national networks does not automatically imply the emergence of new governance structures at the urban level, they are an important piece within this process.

## **CHAPTER 4:**

### **CASE STUDIES: THE UK (ENGLAND) AND GERMANY**

In this chapter, the two case studies, namely UK (England) and Germany, are examined to illustrate the impact of European Structural Funds on local governance. Since it has been argued in the previous chapters that endogenous factors are also crucial to investigate whether EU funding has prompted governance change in cities and regions of the individual countries, consciously chosen case studies will hopefully provide a balanced and accurate input in favour of this study, as they have two distinct state structures.

In order to explain how Structural Funds affect urban governance in the UK (England) and Germany, a detailed understanding of the national and local political system is required. Accordingly, in this chapter, the first part of each case study covers the state and local structures, civil society and bureaucratic traditions of the countries. In the second part there is an impact assessment of the Structural Funding on patterns of governance in the urban level under four major themes: horizontal governance, vertical governance, participation and policy learning through trans-national networks.

## 4.1 United Kingdom

### 4.1.1 State Structure and Intergovernmental Relations

The United Kingdom is a unitary state, governed constitutionally as a single unit through the national Parliament at Westminster. It consists of four constituent countries; England – with 59 million inhabitants, Scotland – 5 million, Wales – 3 million, and Northern Ireland – less than 2 million (Government Offices, web-site). Parliament is constitutionally sovereign. Although there is elected representation at the local level and at the level of Wales and Scotland since 1997, they can only do what is explicitly permitted by the Parliament. Their roles are, thus, strictly subordinate, and their relationships with central government is very unequal (Leach and Percy-Smith, 2001; Wilson and Games, 2006). There is no legal status for any public body other than the Parliament.<sup>29</sup> The UK is therefore different from federal states which consist of self-governing regions united by a federal government as in Germany. Since there is no constitutional guarantee for local self-government and regional autonomy, at any time, the power of regions and local authorities can be restricted by a simple Parliamentary decision.

It is possible to explain the unitary concept in the UK as the dependency of regional and local authorities on central political institutions for their functions, finance and responsibilities. Accordingly, the potential transfer of power and resources in the UK as a result of European policies depends on the willingness of national government to transfer

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<sup>29</sup> Key feature of the UK's government has historically been the absence of a statutory tier of regional government. Although the devolution to Scotland, Wales and Northern Ireland in 1998–1999 reduced the power of the central government over Wales and Scotland, the UK is still an highly centralized system. Local governments also lack constitutional standing, possess relatively few legislative powers and have to act within the framework of laws passed by Parliament which prevents them taking action outside those granted responsibilities.

functions to subnational government and allow locally elected institutions to apply for the Structural Funds (John, 1997).

#### **4.1.2 Constraints on Local Governments**

In the UK, developments in central-local relations over the last thirty years have given rise to the growth of central control and the establishment of various constraints on the local level.

The first key constraint on local authorities in the UK is the current system of government which was restructured by the central government reforms in 1975, 1986 and 1995 respectively. The 1975 reform created a uniform two-tier system of government across the country, including six Metropolitan County Councils, which ensured the co-ordination of local government in the urbanised regions (Marshall, 2003).<sup>30</sup> From 1974 until 1986, local government in the UK operated as a two-tier system, which consists of county councils representing the first tier and district councils representing the second tier (See figure 4.1).

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<sup>30</sup> For a period between 1974 and 1986 there were seven city-regional metropolitan authorities, but these were abolished by the Conservative central government of the 1980s. ‘‘Only the capital, London, has a formal city-regional administrative structure with the establishment of the Greater London Authority and associated Greater London Assembly in 2002. To fill the gap in city-regional governance, some metropolitan councils have organised voluntary associations at city-regional level, like the Association of Greater Manchester Authorities, which brings together the ten local councils that make up Greater Manchester city-region’’(Meegan, 2005, p. 176). These arrangements, however, have no statutory powers.



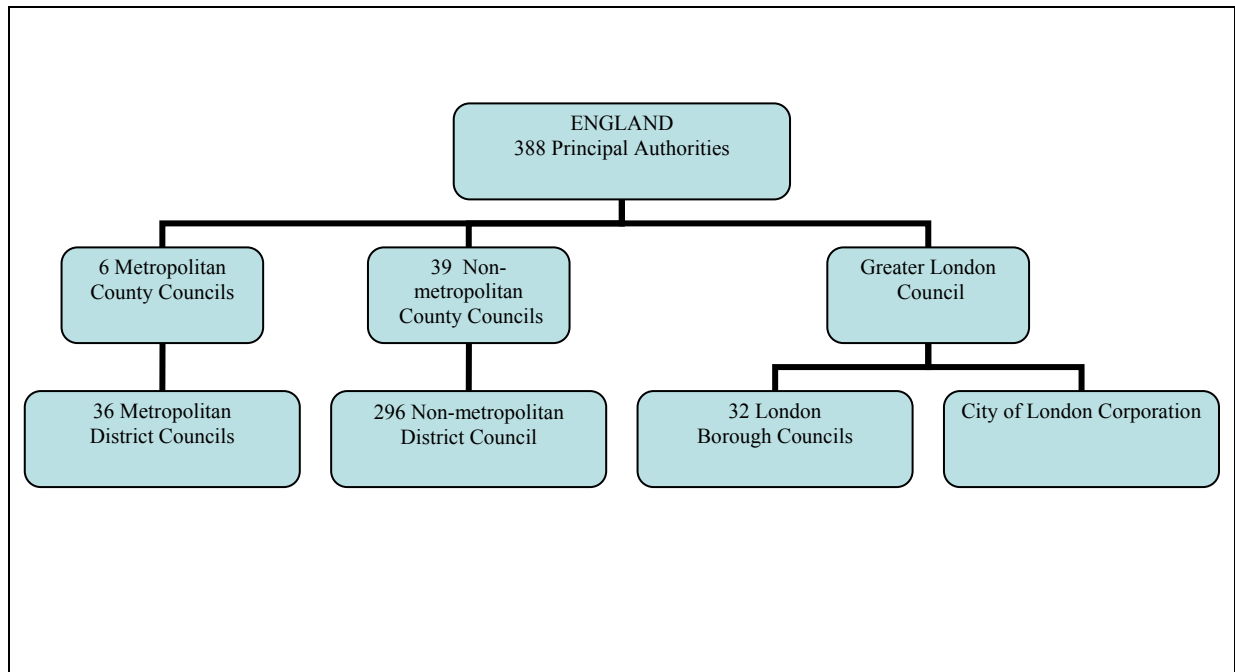


Figure 4.1 Elected local government in the UK, 1974–1995 (Wilson and Game, 2006, p. 57).

The 1986 reform, however, abolished the Greater London Council and the Metropolitan County Councils in the UK. The 1995 reform, meanwhile, created a hybrid system which consists of both single and two-tier authorities in order to increase accountability, provide transparency in local government, and above all, increase efficiency (Wilson and Game, 2006).

Today, local government system in England is represented by a mix of Metropolitan Authorities, Unitary Authorities and Local Authority Districts (See figure 4.2).

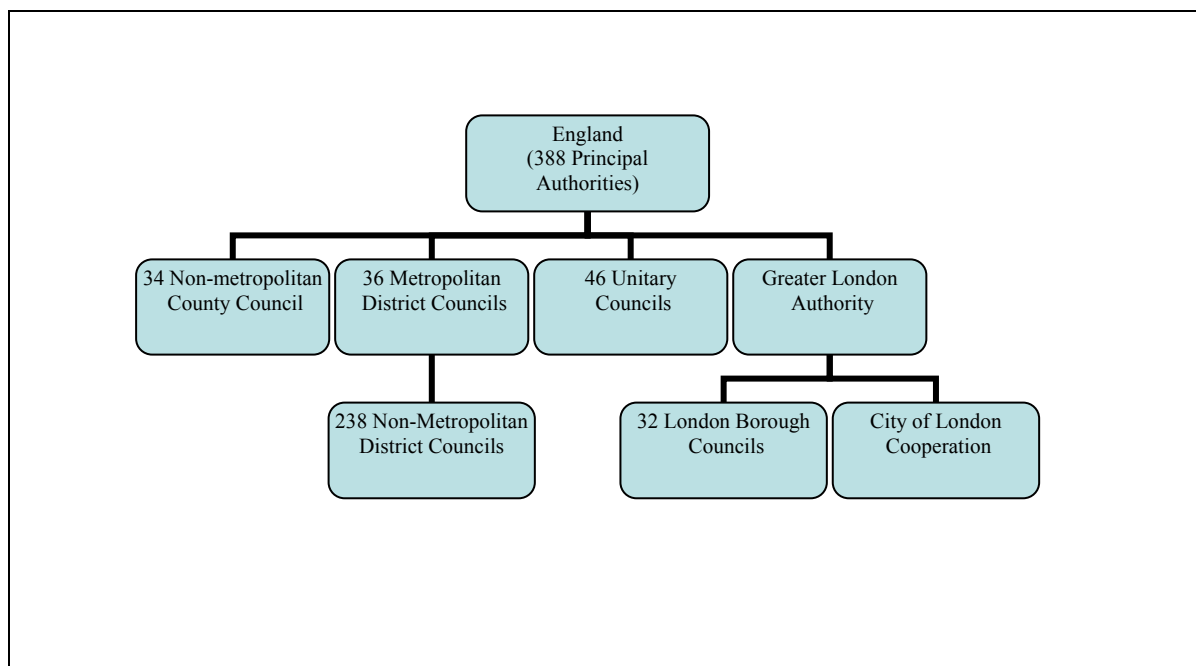


Figure 4.2 Elected local government in the UK, 2006 (Wilson and Game, 2006, p. 78)

Single tier authorities consist of 36 Metropolitan Authorities, 46 Unitary Councils and 32 London Boroughs and they are responsible for all local authority functions. In two-tier authorities, two separate councils divide responsibilities between 34 non-metropolitan County Councils and 238 non-metropolitan related District Councils (Wilson and Game, 2006).

Another key constraint on the urban level throughout the UK is the nationally-determined financial arrangements. Serious reductions in local government taxation power and progressively tighter controls on their spending have reduced their financial discretion over the past thirty years (Leach and Percy-Smith, 2001).<sup>31</sup> However, this reduction in the taxation power has not been accompanied by a rise in grant funding from the centre. Thus,

<sup>31</sup> Today, the central government provides around 48 per cent of local government revenue in the form of grants and around 25 per cent from the non-domestic rate levied on business. The remaining 27 percent is raised locally from the Council Tax (Meegan, 2005).

European funding, particularly the Structural Funds have become a key element of local government finance (Bailey, 1995).

Moreover, the creation of a Single Regeneration Budget (SRB) in the early 1990s forced local authorities to compete for getting the government grants. As local and regional actors had to compete with each other for funding, the custom of joint working arrangements has gradually disappeared. Thus, national rules encouraged fragmentation, by embedding competition among local authorities. As a result, the EU partnership requirements became difficult to achieve.

Furthermore, functions such as public utilities, trunk roads, hospitals, personal health services, water services, further and higher education and training have been removed from the responsibility area of the local authorities over the thirty years (Leach and Percy-Smith, 2001).<sup>32</sup> Appointed quangos or non-departmental public bodies have taken the place of the local authorities in the delivery of those services. In delivering their services, local governments are heavily conditioned by central government policy and tracked closely through performance indicators. Moreover, privatisation and compulsory competitive tendering mechanisms have considerably narrowed effective local authority influence over the services it provides (Ibid).

In line with these developments, the principle of private public partnership became the main vehicle for many aspects of policy implementation and service delivery. However, it was largely driven by economic considerations rather than the social motives of the European notion of partnership (Marshall, 2004b).

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<sup>32</sup> Today, local authorities in the UK are statutorily responsible for the services as planning, social services, etc. with joint authorities responsible for, fire and rescue services, passenger transport and waste disposal in the urban areas (Meegan, 2005).

All constraints stated above on the local units illustrate the weakness of the local governments within the UK highly centralised political system and dependence of them to the central government for their function, finance and responsibilities (Leach and Percy-Smith, 2001). It is within this environment that the governance effects of the EU Structural Fund programmes must be analyzed.

#### **4.1.3 Bureaucracy Tradition in the UK**

The influence of bureaucracy refers to the extent to which administrative actors are able to shape the outcome of policy formulation. Contrary to the German bureaucracy, British bureaucracy enjoys the autonomy it possesses which can be traced to the characteristics of the British legal system. There exists no multi-tier system allowing for hierarchical guidance of subordinate administrative levels in British bureaucracy. Hence, local authorities fulfill their tasks without being subject to administrative control by the central government.<sup>33</sup>

On the other hand, it is a basic feature of the British administrative system, that the distribution of competencies between different administration levels is quite flexible. Thus, shifting competencies and frequent administrative reorganization is not difficult in contrast to the hierarchical German administrative system (Knill, 2001).

As a result, in contrast to the German multi-departmental and legalist administrative structure, single and flexible British system has a catalysing effect for establishing substantive partnership structures.

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<sup>33</sup> The hierarchical guidance of the local level by the centre only restricted to questions of local resources (Knill, 2001).

#### 4.1.4 Civil Society Tradition

There is a long tradition in the UK to involve voluntary and community groups in the formulation and implementation of policy programmes. However, the structure of British voluntary and community groups is essentially fragmented in contrast to more coherent organizational structures in Germany. National peak associations which unite major groups do not exist unlike in Germany. Therefore, there is not any institutional basis for the incorporation of societal interest into the decision-making process.

Also, as Knill states (2001, p. 103) “political influence of British associations is basically dependent on the extent to which they are able to rely on informal contacts to the political administrative system”. Thus, their opportunity for taking part in the decision making process is up to the will of political leaders (Ibid).<sup>34</sup>

On the other hand, while the UK Conservative Governments saw community and voluntary groups as vehicles for delivering their policy programmes, in the mid-1990s Labor Government elected in 1997 gave a more direct role to those groups in helping to develop local government programmes (Wilson and Game, 2006). It has induced new methods to foster the participation of the community to the decision making process both directly or indirectly through interest groups. However, since most of them tied to short term projects, they are not able to find sufficient time to become self-sustaining (John, 2001).

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<sup>34</sup> There are several peculiarities that make groups attractive to government; authority information, experience, and ideological and policy compatibility (Wilson and Game, 2006). However, this issue of political compatibility tended to be treated as the most important one by the political scientists (Ibid).

## **4.2 Impact of EU Structural Funds on English Local Government**

It is often mentioned that English local authorities are more successful in accessing funds than their counterparts in other member states (Goldsmith, 1993; John, 1997). Between 1989 and 1993 total structural transfers to the UK amounted to 5,329 million ecu and it received almost ten per cent of the total funds (European Commission, 1997). The 1988 reform of the Structural Funds led to very significant changes in the UK local authorities' approaches to accessing EU funds. Therefore, by 1993 the process of lobbying for resources was taken very seriously. Although the proportion of total funding allocated to the Objective 1, 2 and 5b areas has fallen in the 1994–1999 period, the level of funding increased in absolute terms for the period 1994–1999 and 12,981 million ecu allocated to the UK (Bachtler and Turok, 1997; European Council, 1997). For the period of 2000–2006, the United Kingdom has been allocated a very substantial amount of Structural Fund resources which is 15,8 million euro (Hall Aitken Report, 2007). Accordingly, in this part of the thesis the impact of those funds is focused on under four major themes which are respectively horizontal governance, vertical governance, participation and policy learning through trans-national networks,

### **4.2.1 Horizontal Governance Structure**

Unlike many other European cities, British cities initially suffered from extremely high levels of governance fragmentation, and close control of the central government. Nonetheless, the UK has achieved significant growth in partnership working and creating new ways for the greater involvement of neighboring local authorities, non-state actors such as non-governmental organizations, trade unions, and environmental groups within the process of governance over the past twenty years. However, authors mostly emphasize the

overwhelming impact of actions taken by the UK central government, including the creation of quangos, compulsory competitive tendering, public-private partnership, and local government reorganization, instead of linking the process of fundamental change in the horizontal governance structure to the impact of the Structural Funds (Wolffhardt et al, 2005; John 1997). Additionally, Geddes and Benington (2001) stress “the limited scale and relatively restricted funding of European programmes compared with nationally funded ones” and state that “in contrast to the role of government, EU programmes have been less influential in shaping the development of local partnership than in a number of other European countries”. On the other hand, authors also highlight the importance of the presence of EU resources and requirements, but they are careful not to exaggerate its long-term effects on governance.

There is some evidence, then, that the availability of the EU Structural Funds has gradually contributed to the horizontal forms of governance structures in the assisted cities. For instance, in Liverpool<sup>35</sup>, the development of first Objective 1 Single Programming Document was principally driven by the Government Office for Merseyside and initially did not involve wide consultation of the community and voluntary sector agencies. However, as the Programme began to be implemented, a range of public and non-government agencies and representatives from the voluntary and higher education sector were involved under the coordination of the Government Office (Meegan, 2005). In Manchester<sup>36</sup>, the Objective 2 programme for 2000–2006 was also prepared with a wider participation than in the programme of the previous period (Ibid).

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<sup>35</sup> Liverpool involved into two large-scale Objective 1 programmes that have been implemented across the Merseyside city-region in the periods of 1994–1999 and 2000–2006 (GONW web-site).

In the UK, Structural Funds sometimes achieved this wider participation through the creation of innovative networks, including both public and non-public actors in the assisted cities to overcome governance fragmentation promoting joint working.

Furthermore, new horizontal governance structures emerged within the domain of public administration, as new forms of cross departmental cooperations in the UK. The specialist European staff has increased considerably after the 1989 reform in the Structural Funds. By 1995, over 70 per cent of local authorities employed at least one European Officer and 10 percent of them established a specialist European Unit (Bachtler and Turok, 2002; Goldsmith and Sperling, 1997). Over time in many local authorities, a corporate approach has emerged between the department in which European Unit is based and the others in order to get the maximum benefit from the EU funding. Local authorities had created cross-departmental officer working groups specialising in the EU issues (Bachtler and Turok, 2002).

In the light of those evidence, it is possible to argue that Structural Funds initiated a top-down Europeanisation and urban governance change in the assisted English cities. However, disagreements exist over whether local and regional partnerships will survive in the absence of Structural Funding. Whereas some actors argue that partnership has become so institutionalised that it is now a crucial governance tool, Bachtler and Turok (2002) argue that they can not be seen as evidence of a radical change until being able to see the practices of the local governments in the long run without the involvement of the EU funds.

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<sup>36</sup> Manchester was assisted with Objective 2 programme in the period of 1994–1999, and Objective 2 and 3 programmes in the period of 2000–2006 (GONW web-site).



#### 4.2.2 Vertical Governance Structure

Today, central state still has a continuing power on the local and regional authorities' activities in the UK. However, despite the fact that traditional vertical relations between the national and sub-national level have been retained, it is impossible to ignore the increase in the number of partnership arrangements between the different territorial levels over the past fifteen years.

EU Structural Funds have brought important working methods and new values which have led to an increase in partnership and joint working arrangements throughout the main assisted cities in the UK. In spite of the fragmentation caused by the lack of an elected regional government, the sub-national level emphasis on Community Support Frameworks (CSFs) has generated partnerships between authorities. However, existing domestic institutions and actors have imposed constraints on any new urban governance change. The government centralised the control over these new structures through its creation of Government Offices for Regions (GORs)<sup>37</sup> which have acted as the managing agents and representatives for the UK government. They became "... the eyes and the ears of the government in the regions, providing feedback to decision-makers in London..." (Adshead, 2002, p. 137). The political culture of the government has transplanted to the regions through the GORs and set a serious limitation on the local level. The development of large-scale urban governance arrangements alongside Structural Fund programmes have, thus, severely slowed or stopped by the gatekeeper role that GORs played (Marshall, 2003).

On the other hand, the European Commission has taken a place in this hierarchy. Local governments contrasted the hostility of central government with the welcoming

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<sup>37</sup> Although the arrival of the GORs signalled a move toward focused working at regional level, they have only acted as a tool of the government rather than a shift away from Whitehall control (Marshall, 2003; Wilson and Game, 1998).

atmosphere of the European Commission (John, 1997). They have perceived the Commission as a sort of counter to the central government and as an entity which may help them to shift the power dependencies in central-local relations. Marks (1992) asserts that, even in the UK where the central government resisted the Commission reforms, there is no certainty that local authorities can be dominated by national government, as local authorities are able to lobby the Commission for greater local input in agenda-setting and implementation processes of the Structural Funds.

In line with the assertion of Mark, Marshall (2003) argues that in the UK, as cities started to lobby the Commission and strengthened by the experience of European working, they gained confidence about challenging the hierarchical government relations. Accordingly, Government Office's attitude considerably changed toward them and they started to develop a better working relationship together. Thus, Government office has gradually become a player within the Europeanisation process over the years.

As a result, the extended gatekeeper model which argues that local actors participate into the process but do not have any impact on, as they are mainly under the control of nation-state (Allen, 2005; Bache, 1998), can only partially explain the impact of Structural Funds on the sub-national units in the UK. Local and regional actors have responded to the policy initiatives or blocking strategies that emerge at other levels. They have learnt strategies to cope with central government constraints and established pragmatic alliances within and beyond the central state to maximize their financial interests (John, 1997).

#### **4.2.3 Participation**

The EU Structural Funds in the UK have incorporated different groups from the civil society into the political decision making process for adopting a more consensual style

of decision-making. The preparation of the Single Programming Document (SPD) in Manchester set a good example in that context. It involved a series of strategy days with the participation of more than 200 individuals from partner organizations and establishment of thematic working groups (Meegan, 2005). Also a web-site which enabled to reach all documentation regarding the consultation process was established (Ibid).

However, Tofarides (2003) claims that in some cases Structural Funding did not manage to get beyond the groups that were already involved in the process. For instance, the URBAN programme operating in London was not be able to obtain the participation of voluntary and community groups from various different backgrounds. In that context, the author points out to the phenomenon of “community gatekeeping” and argues that the groups which were already engaged in community regeneration, monopolised the implementation process of the programme (Ibid). Structural Funds were insufficient in reforming this stereotyped practice which enabled groups to be involved according to their political compatibility with the local government.

On the other hand, there are examples in which Structural Funds have initiated the creation of the new networks for widening participation. The security of some of these networks has also been helped by EU funds. For instance, the continuing funding of the North West Network which was a platform for voluntary organizations across the North West of England to respond to the developments in the Structural Fund programmes, helped to build the infrastructural capacity of the community and voluntary sector in the North West (Meegan, 2005).

Consequently, it is possible to argue that the download of the European norms of partnership in the UK has initiated more consensus-based working and participatory governance that encourage the transition from urban government to governance.

#### 4.2.4 Policy Learning Through Trans-national Networks

The European Union has given a strong additional stimulus to the creation of several trans-national networks among cities from different member states with similar interests and problems, with an incentive to share their experiences and learn from each others.

For that purpose, first local authorities in the UK maintained twinning relationships based on cultural links. However, later, many have realized that collaborating thorough groupings of authorities could be more effective in sharing experiences and obtaining funds for projects and started to participate to city networks such as RETI (the Association of European Regions of Industrial Technology), AER (the Assembly of European Regions), Assembly of European Regions, Atlantic Arc (the part of Council for Peripheral Maritime Regions), and Eurocities (Bachtler and Turok, 2002).

Many UK local authorities, also, use trans-national networks as a way of bypassing the central government. In that respect, Coalfield Communities Campaign (CCC)<sup>38</sup>, which persuaded the Commission to set up RECHAR programme, is a frequently cited example (Goldsmith, 1993).

Consequently, EU Structural Funding programmes provided British cities an opportunity to be involved in trans-national networks, which represent the framework of policy learning and a platform for information exchange. Thus, it facilitated the process of download Europeanisation via trans-national networks. However, this process of download Europeanisation is accompanied by a process of upload Europeanisation and cities try to expand their influence on the European level via trans-national networks (Marshall, 2004a).

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<sup>38</sup> Coalfield Communities Campaign is the all-party association of more than 70 local authorities in all the coalfield areas of the UK (Goldsmith, 1993).

## 4.3 Germany

### 4.3.1 State Structure and Intergovernmental Relations

Similar to other federal systems, the German federal system is a three-tier structure encompassing the Federal State with 16 well-established Federal Provinces (Länder)<sup>39</sup> and local governments<sup>40</sup>.

Länder, with varying population sizes, social structures, and levels of economic development has a strong constitutional status in order to prevent any centralistic dominance of the Federal State. However, in terms of the distribution of powers between the Federal and the Länder, the former is dominant in exercising legislative power. The Länder's exclusive legislative power covers very few areas such as police, education, cultural activity and vocational training (Wallman and Lund, 1997). On the other hand, they are responsible for the implementation of federal legislation and federal programmes. The main political implementation and administrative functions are left to the Länder and the Länder delegate some of these tasks to the local authorities (Dangschat and Hamedinger, 2005). The federation has no administrative structure of its own at lower territorial levels, whereby dependent on the Länder for the operation of these functions. Thus, the sub-national governmental levels have power, particularly in the process of formulating and developing certain programmes.

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<sup>39</sup> Among these three of the old Länder—Berlin, Hamburg, and Bremen—have the status of city-states (Stadtstaat). That is to say, they are both Länder of the Federation and urban municipalities; thereby have strong position compared to other cities. They have a direct representation in the Second Chamber (Bundesrat). They have a budgetary autonomy, which makes an entrepreneurial approach more easy.

<sup>40</sup> Local governments as a third administrative and political tier consist of local municipalities, 323 counties, 116 county-free cities, associations of small cities and various special purpose units (Gabriel and Eisenmann, 2005).

Länder directly access to the decision making process on the federal level through the ‘Federal Council’ which consists of the representatives of the Länder.<sup>41</sup> On the other hand, the Länder are also legally obliged to represent the local level interests on the federal level.

The municipal associations which are “German Association of Cities and Towns”, “German associations of Towns and Municipalities”, and “German County Association” also play an important role on the policy making process through the negotiations with the Federal State. However, local level does not possess any other effective formal possibility to influence policy making directly, especially on the federal level. Gabriel and Eisenmann (2005) argue that in contrast to the unitary state system in the UK the notion of subsidiarity has long served as the guiding principle for handling public affairs in Germany. Therefore, there has not been any attempt to decentralize the administrative structure and to transfer state responsibilities to the local level.

Consequently, in the existing German system of governance, Federal State, Länder and local level governments are forced to act together in many policies. There exists a lot of political levels which are connected to each other with vertical and horizontal ways. Hence, it is possible to argue that this kind of federalism has an advantage for building partnerships in comparison to unitary system as in the UK.

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<sup>41</sup> The role of Federal Council concerning the EU issues has been strengthened through the introduction of the article 23, (the so-called Europe Article) into the constitution (Wallman and Lund, 1997).

### 4.3.2 Local Government Structure

Within the Länder, the bottom level of administration is made up by counties (Kreise) and larger county-free cities (Städte). Counties and larger cities are responsible for the task of implementing legislation, although county-bodies are elected by the citizens.

The local governments are also intended to be an integral part of the 'Länder', thus they lack a strong constitutional status. However, both the local governments and the counties constitutionally have the right to autonomous 'self-administration'<sup>42</sup>. This means that municipalities are able to regulate all matters of local community autonomously, within the existing legislation. Nevertheless, since they are in charge of carrying out tasks delegated to them by the Länder, the level of autonomy of their activities is limited by conditions set at higher governmental levels.

The main sources of local revenues are taxes and several other types of resources including charges, fees, and grants. In order to equalize great disparities in local economic resources, between East and West Germany, the Constitution has provided a mixed system of local finance. This system includes the taxes levied by the local authority itself and a share of national taxes like the income, corporation, and value-added taxes. In terms of local autonomy, local taxes are cornerstone. However, since they amount to approximately only one third of local authorities' revenues, local authorities are financially dependent on the upper levels of government (Gabriel and Eisenmann, 2005).

It was that context of an overload of responsibilities and limited financial resources in the last decade that encouraged some German local governments to seek funds from alternative resources such as European funding.

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<sup>42</sup> Besides the rights to decide on its budget, organizational structure and personnel, the local 'self-administration' covers such policy areas as social services, land planing and energy supply.

On the other hand, it should be emphasized that in recent years the German system of representative democracy and parliamentary government has been altered in favour of local governments (Dangschat and Hamedinger, 2005). In the 1990s, the provision of binding local referendums and introduction of direct election of the mayor was established. Formal political power, thus, shifted from the council to the citizens and position of the council in the local political system has been weakened. Simultaneously, these activities are challenged by new public management measures which are in line with the EU deregulation policies.

#### **4.3.3 Civil Society Tradition**

The German voluntary and community organizations are vertically integrated. Almost every non-profit organisation in Germany is a member of a peak association in contrast to the pluralist structure in the UK. Thus, the interest associations in Germany have the power to affect political decisions. Also in Germany, the principle of subsidiarity guarantees the public support to the voluntary and community groups, both economically and politically.

On the other hand, there is a polarisation in Germany in terms of participation of the community to the decision making process due to mainly unification. Although, in the 1990s new methods have been developed in order to foster a wider participation on the local levels, they could not obtain a great deal of success (Gabriel and Eisenmann, 2005). The impact of the Structural Funds on incorporating civil society into decision making mechanisms is to be understood in the light of these peculiarities.



#### **4.3.4 Bureaucracy Tradition in Germany**

The administrative arrangements and bureaucratic traditions can catalyse or block the implementation of EU policies and norms. Accordingly, fundamental differences between the British and German administrative style and structures lead to differences, particularly in the development of the partnership structures.

While the general characteristic of the British administrative system is the absence of hierarchical control between different administrative levels, German administrative style is hierarchical and legalist. The distribution of administrative competences is not as flexible as in the UK. Furthermore, in Germany, hierarchical differentiation is accompanied by horizontal segmentation across policy sectors (Knill, 2001). Thus, in contrast to the UK, the multi-departmental structure used in Germany has a paralysing effect for any wider application of the EU programme requirements.

#### **4.4 Impact of EU Structural Funds on German Local Government**

The importance of EU funding for Germany was negligible until the unification of Germany in 1990. The unification increased the number of Länder from eleven to sixteen, whereby widened the internal disparities and produced polarisation within Germany. Succeeding unification, the economic differences defined by the south and north axis, were superimposed by the profound gap between the west and the east. Accordingly, as all the new Länder were classified as Objective 1 areas for EU regional aid, Germany became the sixth largest beneficiary of the EU Structural Funds (after Spain, Italy, Portugal, Greece and Ireland) (Adshead, 2002).

Since all of the new Länder were designated as Objective 1 areas for EU regional aid, the level of EU Structural Funds varied enormously across Germany. While in the new

Länder the support for the period 1994–1999 amounted to an average of Ecu 145 per capita per annum, for recipients of EU aid under Objectives 2 and 5b in the former Federal Republic, the support averages were Ecu 37 and Ecu 26 per capita per annum, respectively (European Commission, 1997c). Therefore, the magnitude of Structural Funds’ impact on the local authorities in the new Länder was distinctly more profound. Accordingly, in this study, this fact is taken into consideration while examining the influence of the EU Structural Funds on local governance, in terms of vertical governance, horizontal governance, participation, and policy learning through trans-national networks.

#### **4.4.1 Vertical Governance Structure**

Multi-level governance is not a new phenomenon in Germany. As described by the term *Politikverflechtung*, the German system of cooperative federalism was built on a tradition of cooperation and joint decision-making.<sup>43</sup> For that reason, “although it is quite clear that the Bund is losing its ‘gate-keeper’ status between Brussels and the domestic context, the real test of the EU power to break up national patterns of relationships is difficult to carry out in countries like Germany, where joint policy making between the Bund and the Länder level already conforms more or less to the ‘partnership’ aspiration of the Commission” (Conzelmann, 1995, p. 51).

Thielemann (2000) claims that in order to accurately analyze the impacts of Structural Funds on those intergovernmental relations, it is necessary to divide the process

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<sup>43</sup> However, European multi level governance is in some respects different from the traditional type of *Politikverflechtung*. Compared to governance in the European Union, the German model of joint decision-making represents a simple form of multi-level governance. In German type joint-decision making, while a kind of partnership between all institutional levels exists in some policy fields, other areas like regional policy and foreign policy includes cooperation on only two levels, namely on Federal and Länder governments (Benz, 2000; Dangschat and Hamedinger, 2005).

into three stages which are institutional design and eligibility, planning, and implementing. Accordingly, in this section, the impacts of Structural Funds on governance are examined in three separate stages.

First, the role of sub-national authorities at the institutional design and eligibility level is confined to their lobbying activities with the Federal State and, to a certain extent, with the European Commission in the early stages of formulating policy (Thielemann, 2000). As stated above, in Germany, the 1996 reforms of the German Constitution introduced significant changes about the direct participation of the Länder into the European decision-making process. However, these new powers given to the sub-national level have remained limited in matters of the institutional design and eligibility of the Structural Funds.

Second, at the planning stage of the Structural Funds, although the influence of the Länder have increased, the local governments have been prevented being included into the process. The inclusion of the Länder authorities into the process, particularly through CSFs, was easy, since they had the experience and contacts. The negotiations have taken place between the Commission and the Länder through the help of the mediator role played by the Federal State for the submission of the plans to the Commission. Thereby, the Commission has also become one of the actors that sub-national authorities may establish partnerships at this stage of the policy process.

However, Anderson (1996) argues that in the early period after unification, EU's concern about building partnership within the CSFs broadened the differences between the strong and well-administered Western authorities and weaker Eastern ones. The dependency of the Länder and local authorities on the Federal Government in East Germany increased due to their limited administrative capacities. Thus, the bi-polarity of

the state, caused by the unification of the country, has introduced a differential treatment of the different Länder and local authorities by the Federal Government (Tavistock Institute, 1999). In the new sub-national parts, the Federal Government has played an important role due to the lack of administrative capacity while it has a more supportive and hands-off function in West Germany (Ibid). As a result, initially the opportunity for establishing partnerships with the Commission for new sub-national authorities was not as high as in the old ones. Nevertheless, with time and substantial efforts of the European Commission and old German Länder, expertise of new administrations increased.<sup>44</sup>

Third, on the implementation stage of the Structural Funds, although the Länder have had a dominant influence, obligation to establish Monitoring Committees which “are the principal mechanism for conducting the ‘partnership’ at national, regional or even sub-regional level” (European Commission, 1996), has helped the improvement of relationships between Länder and local actors. Thus, the Structural Funds actively promoted the institutionalization of formalized ‘partnership’ structures between the Länder and local actors. For instance, Dangschat and Hamedinger (2005) state that the improvement of relationships between the city of Dortmund and the Land is partially derived from the Monitoring Committees. However, Thielemann (2000) argues that efforts by some Länder to devolve policy-making beyond the Land level have remained the exception in the fact that most officials of the Land ministers have perceived participation of local actors as an obstacle in the policy making process, rather than an opportunity. Hence, German cities, with the exception of city-states, focus on the activities of their Länder in order to be

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<sup>44</sup> For all policy areas the West German model were extended over the area of the former Democratic Republic through the personnel transfers which comprised two major initiatives; first, the partnerships between the west and east local governments and second, jointly set up special funding programmes designed to encourage West German personnel to relocate to the East (Adshead, 2002).

represented on the European level. On the other hand, Dangschat and Hamedinger (2005) claim that, the level of cooperation between the Länder and the local government depends on the policy area. Although a kind of partnership between the city and the Land does exist in some policy fields as planning and urban policies, areas as regional policy are dominated by the Federal and Land levels. Thus, while dominance of the Länder regarding decision-making within the Objective 2 programme is visible, in the URBAN programmes, Länder give cities considerable leeway for manoeuvre to realise innovative partnerships.

To sum up, in the matters of institutional design the involvement of the sub-national authorities is negligible; however, authors agree that a gradual shift in responsibility for decision making from the Federal State to the Länder occurred in the planning and implementation stages in response to the reforms of Structural Funds (John, 2001). Nonetheless, as the central state has kept its dominance on the local governments in the UK, the Länder kept its gatekeeper position for the local level, despite giving them some competences with regard to the representation of their interests, particularly in the implementing stage of the Structural Funds. Thus, the Länder have benefited from the Europeanisation more than the local governments, as they have strengthened their independency from the Federal Government (Dangschat and Hamedinger, 2005).

#### **4.4.2 Horizontal Governance Structure**

In Germany, despite extensive exposure to European norms, local actors remain broadly constrained by the Land control, particularly in the policy fields in which they do not have competence. This situation, in turn, has prevented the emergence of new innovative structures at city level, dedicated to joined-up governance.

On the other hand, in the policy fields as planning and urban policies, where the Land has given cities considerable space for manoeuvre, the availability of the EU Structural Funds has contributed to the new horizontal forms of governance structures. For instance, Paulus (2000) argues that, in Germany, the close cooperation between the URBAN key actors, even in the decision making process, has helped to overcome the often paralysing departmentalism at the vertical and horizontal policy level. The author evaluates this development as a crucial change in patterns of governance.

On the other hand, as in the British cities, it is possible to see new horizontal governance structures emerged within the domain of public administration as new forms of cross departmental networks. For instance, in Dortmund, cross departmental network is established between the URBAN II teams within the planning department and within Economic and Employment Promotion Dortmund (Dangschat and Hamedinger, 2005). This can be highlighted as a considerable change towards sustained governance innovation, since shifting competencies and frequent administrative reorganization in Germany is not as easy as in the UK.

Consequently, to some extent, Structural Funds have helped the formation of new horizontal governance structures. However, it is obvious that the partnership principle of funds has faced strong resistance, even within a decentralised system, such as in Germany. This resistance to participation can be explained by incompatibility between Germany's decentralised institutional structures and the 'partnership' principle required for the Structural Funds.

#### **4.4.3 Participation**

In Germany, there is considerable differentiation in participation of civil society to the planning and implementing processes of the Structural Funds between different Länder and cities. Some Länder, such as Lower Saxony and Bavaria, have excluded social partners from the monitoring committees whereas Bremen and North Rhine Westphalia have longer traditions of inclusion of social partners (Tavistock Institute, 1999).

The main reason for that polarisation is the process of unification. In cities of the new Länder, partnership requirement of the Structural Funds has constituted a radical and innovative shift from previous working practices which mostly excluded community from the process of decision making. However, despite the enthusiasm of the new Länder for innovation, inclusion of civil society into the process at first sat uncomfortably in regions with no pre-history of consensual governance. For instance, URBACT (2006) study report states that in Germany, the demand for community participation in URBAN programs and the integrated approach caused problems as most actors were not familiar with the required forms of cooperation, coordination, and participation.

In line with Germany's corporatist tradition, local, Land and Federal authorities have always been in a close relationship with industry associations and trade unions. However, they appear to be particularly reluctant towards widening this consultation to include other economic and social groups (Thielemann, 2000). The Länder initially acted as gate-keepers in the process of participation of social groups to decision making process of the EU funding programmes. They argued that "there was no need for such direct representation as there were already informal contacts between the Fund managers and economic and social partners" (Thielemann, 2000, p. 16). This attitude of the Länder, especially the new ones, since they were the ones who got a much bigger proportion of the

Structural Funds, was criticised by the Commission. At the end of 1994–1999 period, Monika Wulf-Matthies, who is the commissioner for regional policies during the period, sent pointed letters to the prime ministers of the new Länder. This led to a considerable change in the practice of regional governments (Tavistock Institute, 1999; Bauer, 2003). Thus, the EU Structural Funds in Germany have incorporated different groups from civil society into political decision making process for adopting a more consensual style of decision-making.

#### **4.4.4 Policy Learning Through Trans-national Networks**

Although the role of German local governments in the EU affairs is mostly limited with their Länder's activities, engagement in trans-national networks, stimulated by the EU funding, enable them to bypass the Länder and directly engage in the EU affairs. Furthermore, they gain a chance to share experience and learn from different participants with similar interests and problems.

Additionally, German cities and Länder join special EU programmes which are funded by Structural Funds and explicitly aim at strengthening the EU-wide interection between the local governments and regions such as INTERREG III.

Most assisted German cities, have increasingly engaged in those kind of memberships, although they may have percieved some misgivings by the Federal and Länder governments (Wolmann and Lunn, 1997). Thus, Structural Funds enable German cities to go increasingly beyond the twinning agreements which are often restricted to the mutual visiting and cultural exchanges. For those reasons, joining trans-national networks has a paramount importance for German local authorities.



## **CHAPTER 5:**

### **CONCLUSION**

In this final chapter of the thesis, there is an evaluation of the impacts of the Structural Funds on local governance structures, as well as an analysis of the case studies. In the first section of this chapter, an overview of what is being argued through the research questions raised in Chapter 1 regarding the effects of Structural Funds is provided. In the following section the case studies of Germany and the UK (England) are compared and contrasted in order to examine the validity of the research hypothesis, (EU Structural Fund programmes have a significant impact on local governance; however, their effect varies widely due to the specific circumstances of each city), and the later findings are discussed in the light of Europeanisation approach.

#### **5.1 Evaluation of the Research Questions**

In this study it has been claimed that the introduction of European Structural Funds and the control which the Commission holds over them has created exogenous pressure on the assisted cities, resulting in some notable urban governance change (Risse et al., 2001). Accordingly, for a more elaborate assessment of the link between the Structural Funds and local governance change, four research questions were posited.

In the light of those questions, first the relation between the implementation of funds and shift from a traditional top-down decision making to a more elaborate governing

through broad and informal coalitions of public and non-public actors has been examined. Second, the link between the Structural Funds and the emergence of new vertical, multi-level forms of governance consisting of different layers of government in the assisted cities has been shown. Third, whether EU funding reinforces citizen involvement in the decision making process and, lastly, whether the funds inspire creation of networks between the cities facilitating a policy learning process in vertical and horizontal forms have both been explained. Hence, it has been possible to conclude that Structural Funding paves the way for a process of long-term urban governance change and institutional adjustment.

Nevertheless, to complicate the picture further, another step was taken in order to examine whether the nature of this adjustment varies due to specific circumstances of different assisted cities. Accordingly, after discussing the common impacts of the Structural Funds on local governance, the thesis is designed to question the validity of the research hypothesis, “EU Structural Funds have a significant impact on local governance; however, their effect varies widely due to the specific circumstances of each city”, developed out of the research questions, which were addressed by each deliberately chosen case study, namely the UK (England) and Germany. In the light of the evidence obtained, in the next part a qualitative evaluation of the adjustment processes of the case studies is presented, followed by a comparison of the results.

## **5.2 The Comparison of the Case Studies**

For the purpose of this study, the constitutional allocation of jurisdictional powers among tiers of government and organisational structures of the local administrations as well as the bureaucratic legacies are considered as the major factors which condition and constrain the impact of the Structural Fund programmes. Thus, the UK which is a highly

centralized unitary state with weak local authorities and a flexible administrative system, and Germany, which is a federal state with both constitutionally and politically powerful local authorities and a hierarchical administrative structure, served as a convenient ground with their two different state structures and local government traditions. As a result the following inferences were reached through the answers given to the research questions regarding the impact of the Structural Funds.

### **5.2.1 Vertical Governance**

The research conducted here has shown that in the UK (England) the central state still keeps its dominance on the local and regional authorities' activities in spite of the profound increase in the quantity of partnership and joint working arrangements throughout the assisted cities. Hence, while traditional vertical relations between the national and sub-national level have been retained, local authorities have established pragmatic allegiances within and beyond the central state to maximize their financial interests and to some extent cope with central government constraints. In spite of the fact that the reason for that fragmentation is mainly placed on actions undertaken by the UK central government, to some extent the impact of the EU factors is accepted by the researchers (John, 1997; Marshall, 2003).

On the other hand, in Germany although it is quite clear that the Federal State is losing its 'gate-keeper' status between Brussels and the domestic context, it is difficult to analyze to what extent the EU power is effective in breaking up national patterns of relationships as the joint policy making between the Federal State and the Länder already conforms more or less to the 'partnership' aspiration of the Commission (Conzelmann, 1995). Moreover, the loss of the Federal State's gate-keeper role, does not necessarily

imply an increase in the autonomy of local governments as the Länder take over the gate-keeper role. While EU funding has increased the degree of autonomy of the three city-states (Hamburg, Berlin and Bremen) due to their dual positions as a Land and as a city, it did not have a great deal of impact on the cities' decision-making powers, particularly in the policy fields within the framework of traditional, pre-existing Land-Federal cooperation structures. Thus, in contrast to English cities which has found themselves a place in the joint decision-making bodies with the regional branches of central government, German cities' influence on shaping of the EU programmes remained dependent on mutual understanding with the federal province.

Consequently, weak local authorities in the UK (England) have gained more than the strong and autonomous local authorities in Germany (Kern, 2007). However, in neither the centralist British case nor the federalist German case, did European Structural Funds lead to any tremendous shift within the pre-existing balance between different tiers of government.

### **5.2.2 Horizontal Governance**

Given that English cities initially suffered from extremely close control of the central government, the UK (England) has achieved significant growth in partnership working and creating new structures enabling greater involvement of neighboring local authorities, and various non-state actors within the process of governance over the past twenty years. Nevertheless, although that cooperation between different stakeholders depends more on existing local norms and central government pressures than on partnership requirements of the European Funds, the authors accepts the effectiveness of the Structural Funds in the process of urban governance change (Marshall, 2003).

In Germany, in the policy fields as planning and urban, where the Land has given cities considerable leeway for manoeuvre, the availability of the EU Structural Funds has contributed to the emergence of new horizontal forms of governance structures. However, in the policy fields which they do not have a competence traditionally; local actors remain broadly constrained by the culture of the Land control, despite extensive exposure to European norms. This situation, in turn, has blocked the creation of new structures at city level dedicated to joined-up governance.

Hence, the partnership principle of the EU funds has faced strong resistance, even within a decentralised system as in Germany, because of the incompatibility between the Germany's decentralised institutional structures and the 'partnership' principle required for the Structural Funds. Furthermore, while flexible and single administrative arrangement in the UK (England) has played a catalyst role for the creation of innovative partnership mechanisms, the multi-departmental, hierarchical system in Germany has paralysed the adaptation process.

### **5.2.3 Participation**

In the UK (England), the EU Structural Funds have been successful in innovating different ways for inclusion of various groups from the civil society into the political decision making process and adopting a more consensual style of decision-making. One can argue that the major reason is the existence of strong civil society traditions in the UK, where a pluralist concept of the state-society relationship underpins the acceptance of economic and social groups as partners to the planning and implementation stages of the funding programmes (Wolffhardt et al, 2005).

However, in Germany it is difficult to reach such a generalization since there is a considerable differentiation in the participation of civil society in the planning and implementation processes of the Structural Funds between different Länder and cities, mainly due to the polarisation process caused by unification. Nevertheless, one can argue that although particularly the new Länder were not familiar with the cooperation, coordination, and participation requirement, the insistence of the Commission has fostered the inclusion of the civil society.

### **6.3 General Conclusion**

The analysis of the research questions claim that “The availability of the European Structural Funds prompted processes of adjustment in assisted English and German cities” is leading to an understanding that it is possible to identify distinct process of Europeanisation at the local level in the both English and German cities.

However, in line with the Marshall’s (2004b) four-step model, which illustrates Europeanisation at the urban level, different particularities of each case study has determined different degree of Europeanisation due to distinct adaptational pressures. That is to say, while Europeanisation is certainly present in the all assisted English and German cities, the depth of it varies from even one city to another. Thus, it can be argued that Europeanisation at the urban level encourages differentiation rather than convergence.

Accordingly, the point of the thesis is that although European adaptational pressures have resulted in some notable urban governance change, they did not induce a harmonization in the case studies. Thanks to the conditions placed by the European Commission on access to the funds programmes, a process of adjustment has occurred. However, the arrival of the European Structural Funds did not mean an end to the

embedded local and regional governance models, although they are a primary shock to existing structures.

The existing particularities and understandings in each individual case, at the national as well as at the sub-national level, constitute a matrix of constraints on and opportunities for EU policies or programme implementations. Organizational structures, distribution of competences between sub-national and national levels, civil society traditions, administrative and bureaucratic traditions, are thus critical baselines which must be examined in order to fully assess the effect of European Structural Funds on individual cities. Without a careful examination of those opportunities and constraints, it would be difficult – if not impossible – to comprehend changes in urban governance linked to the Structural Fund programmes.

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