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Local actors' use of European structural funds in urban diversity governance

Master thesis

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Abstract

This thesis investigates the use of the European structural funds in urban contexts geared towards the governance of increasingly heterogeneous and diverse urban populations. Qualitative guided interviews with local authorities in the cities Leipzig and Rotterdam shed light on the conditions relevant for the local-level use of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) for measures, projects, and policies targeting social cohesion, social upward mobility, and local economic performance. The use of EU structural funds is treated as a case of Europeanisation, with local actors making use of, adapting to, and shaping a specific opportunity structure provided by the EU. The explorative study finds that the traditional Europeanisation account helps to identify local-level and structural determinants of the fund use. Still, some of the rather schematic assumptions of Europeanisation literature, like the degree of fit between EU-level and local-level norms and processes, require a re-conceptualisation if they are to be applied to the study of EU-local interaction via structural funds. For the two cases analysed, a bundle of factors is found to determine fund use: political will and economic need on the local level, the inter-institutional set-up opening up local-level autonomy in fund application and implementation, and the fit of a broad range of external funding opportunities to be targeted at city areas with special needs.

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List of abbreviations

CLLD	Community-Led Local Development
CPR	Common Provisions Regulation
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
GDP	Gross Domestic Product
ITI	Integrated Territorial Investment
JESSICA	Joint European Support for Sustainable Investment in City Areas
NPRZ	Nationaal Programma Rotterdam Zuid (National Programme Rotterdam South)
OP	Operational Programme(s)
PA	Partnership Agreement(s)
SME	Small- and Medium-Sized Enterprise(s)
TO	Thematic Objective(s)
UIA	Urban Innovative Actions

1 Introduction

Cities and urban areas in Europe today are growing ever more diverse with regard to the composition and activity patterns of their inhabitants, creating a situation of increasing urban diversity operating along various dimensions (Tasan-Kok et al., 2013). The *Divercities* project this research is embedded in[1] investigates how urban policies in Europe are designed in order to deal with increasing diversification. It analyses diversity-related policy discourses, governance arrangements, and inhabitants' strategies and attitudes, and it unravels fragmented, complex, and manifold approaches to diversity governance throughout Europe. A common feature of cities in Europe today is that they make policy choices embedded in a multi-level governance system. The meaningfulness of the European Union (EU) for urban governance within this structure is more straightforward than often apprehended. Despite the fact that the EU does not directly regulate matters of urban policy, it impacts on sub-national systems in various ways (Fleurke & Willemse, 2006).

One direct link between the EU and subnational levels is EU structural funding within cohesion policy, and this is where the connection with urban diversity governance becomes manifest. EU funding impacts on the increasingly diverse urban contexts it is applied in. Moderated by the respective regional wealth levels, EU funds co-finance local and regional projects and can thus support measures targeted at creating social cohesion, social upward mobility, and local economic performance. Most relevant for urban development are the European Social Fund (ESF) and the European Regional Development Fund (ERDF), which form a part of the European Structural and Investment Funds (ESIF). Identifying the determinants of local use of structural funds in addressing diversity governance in urban contexts is the major research interest of this thesis. Its core research question is: *What determines local actors[2] use of EU structural funds for tackling diversity-related issues in urban contexts?*

[1] The *Divercities* project is funded by the European Union under the 7th Framework Programme and runs from 2013 until early 2017. It comprises research on the cities of Antwerp, Athens, Budapest, Copenhagen, Leipzig, London, Milan, Paris, Rotterdam, Tallinn, Warsaw, plus on the non-EU cities of Istanbul, Toronto, and Zurich. To date, researchers from all participating countries have carried out extensive fieldwork and gathered evidence on urban policies concerning diversity, on governance arrangements and initiatives, and surveyed residents and local entrepreneurs. This thesis is facilitated by and closely related to the work of the project partner Helmholtz Centre for Environmental Research (UFZ) in Leipzig by means of a research internship carried out there by the author from 1 March to 30 June 2016. Further project information and publications are available at www.urbandivercities.eu.

[2] Note that terminologically, any reference to the *local level* or *local actors* mostly refers to municipality officials and intermediary bodies working in local contexts, bearing in mind that the local level also entails individuals, civil society organisation, politicians, and others. This terminological limitation is justified and discussed in chapter 4. When referring to the *EU level,* this generally comprises the European Commission and the attached Directorate-Generals (DGs) as the main operational shapers of cohesion policy. The European Commission is referred to as *Commission* throughout this text.

Some sub-questions arise from this research question, which will guide the empirical analysis. These are, inter alia: What is the kind of opportunity structure presented by the EU to cities through structural funds? What are the specific diversity challenges the investigated cities face? How have they made use of EU structural funds in the past to tackle these challenges? In what way does the fund design impact on the use? In what way have the types of ESIF investments changed over time? What are the behaviour-guiding processes and what institutions shape this behaviour?

Syrett and Sepulveda (2012) point to the fact that "it is at the level of cities (...) that national policies are delivered and regulatory frameworks enforced, and where the social, political and economic tensions of diverse societies are manifested most strongly" (p. 238). Almost three quarters of EU citizens live in urban areas, including towns and cities (Eurostat, 2015). Cities do not only account for innovation, but also for problematic developments such as pollution, land consumption, and social tensions arising from the density of human activities. This shows on a European, and even more distinctly on a global scale (WBGU, 2016). Public policies aimed at governing diversity can be massively polarised and conflict-laden, as the *Divercities* reports show. Scarce public budgets further restrain the leeway for local actors to initiate policies targeting social cohesion and fighting rising segregation. In this vein, systematically understanding in what way EU financial support can accompany local governance approaches to diversity is key for an assessment of the performance of structural funds in urban contexts – and it can inform recommendations for reform of the complex multi-level system of structural funds.

This thesis fills a gap in the Europeanisation literature insofar as it zooms in on a field that has only been addressed with a very narrow focus: the use of structural funds by urban actors. Research dealing with this nexus is confined to assessments of very specific direct financial schemes targeted at urban areas by the Commission, which were in place only until 2006. These works focus attention on the degree of change in local norms and procedures induced by the EU programmes. The determinants of fund use to tackle specific *contemporary* governance challenges in urban contexts apart from these specific urban-centred schemes remains a blind spot. The EU as a relevant governance layer in urban political processes plays no systematic role in the *Divercities* project, which focuses on local-level diversity discourses and governance arrangements. By adding the EU dimension this thesis aims to contribute to the understanding of potential and factual opportunities for local actors in Europeanised urban governance, located in a complex multi-level system of competence allocation.

As the scope of the *Divercities* project and the characteristics of the information gathered, being qualitative in nature, forbid a consideration of all *Divercities* sample cities, the focus is laid on a small-n design. The two cases to be compared, the German city of Leipzig and the Dutch city of Rotterdam, are neither 'most similar' nor 'most different' in terms of traditional case selection rules. They represent two highly interesting testing grounds for the explorative study of the usability of EU structural funds in contemporary urban diversity governance. Instead of proceeding in a hypothesis-testing manner, this thesis aims at developing a set of hypotheses to be tested in future research. The explorative study of contemporary determinants of structural fund use by local actors in these cities builds upon a number of factors derived from prior research on urban Europeanisation. The type of information presented in this thesis is predominantly gained via desk research, combined with the insights from the *Divercities* findings, a qualitative document analysis of the Commission's 2014 Cohesion Report and the relevant Operational Programmes for the current funding period, and – forming the heart of the analysis – insights from guided interviews with local administration staff in both cities.

The thesis is structured as follows. Chapter 2 elucidates the role of cities in EU policy by shedding light on the two policy areas that are combined in this thesis: cohesion policy and urban diversity governance. The theoretical perspective, dealt with in chapter 3, presents existing evidence from Europeanisation literature. The Europeanisation approach is defined as a comprehensive way of analysing the determinants of the use of EU funds from a distinctly local, actor-centred, perspective. Chapter 4 is devoted to the methodology and discusses the case selection and the use of text and interview material within the analysis. Chapter 5 presents the empirical results mainly gained in qualitative interviews with local administration staff in Leipzig and Rotterdam. Finally, chapter 6 concludes and lays out the necessity of future research on the topic.

2 Policy area: cities in EU policy-making – diversity and cohesion

This chapter lays out the two policy fields this thesis seeks to combine: EU cohesion policy and urban diversity governance. It discusses the latest reconfigurations of EU structural funding and presents how urban diversity matters in the two studied contexts. Cohesion policy serves as a field of application for urban actors' engagement with the EU in diversity governance for two reasons. First, cohesion policy is the main manifestation of EU urban policy, opening up a specific opportunity structure for urban actors. Second, it can be viewed as the main tool offered by the EU for national and sub-national actors to target area-based policies – both for the mitigation of structural problems in specific areas and for fostering strategies aimed at underprivileged people and minorities. As such, EU structural funding can be seen as a means for urban actors to support their diversity governance tool-kit.

2.1 Cohesion policy as EU 'urban policy'

Territoriality became an important concept for cohesion policy with the Lisbon Treaty naming 'territorial cohesion' as an objective (Tortola, 2016). The role assigned to geographic areas in cohesion policy has been subjected to debate for a long time, with the place-based approach "rooted in geographical economics, which argues for the territorialization of public policies" (Mendez, 2013, p. 642) emerging as the dominant one.[3] Despite the focus on territoriality, there is no legal competency for the EU to directly regulate urban matters (Atkinson, 2015). Politically, however, the impact of EU legislation and regulation on sub-national levels and cities in particular has gained prominence in EU fora. The number of EU documents emphasising the role of cities and the need to take urban dimensions of EU policy-making into account seems countless. The idea of a so-called Urban Agenda has been gaining momentum in the past years and is, *inter alia*, advocated by supranational European institutions (Committee of the Regions, 2014; European Commission, 2014d, 2015c; European Parliament, 2011b, 2015). In the intergovernmental realm, some Presidencies of the Council of the EU have lobbied for a more effective inclusion of urban matters into EU policy. The high-level preoccupation with the topic has yielded sev-

[3] This development was fuelled by the influential *Barca report* (Barca, 2009), which had developed proposals for a reform of cohesion policy post-2013. The report impacted on the élite debate concerning the creation of a 'territorialised social agenda', the consolidation of the place-based approach, and the ongoing rhetoric challenge to reconcile the divergent objectives of regional policy between the poles of social inclusion and competitiveness (Jouen, 2009; Mendez, 2013).

eral political documents on European urban development.[4] The Dutch Council Presidency and in particular the Dutch Ministry of the Interior prioritised "better funding" (Beets, 2015) in the Urban Agenda.[5] Fuelled by this general incremental development of putting urban issues more in the centre of attention, the urban dimension has also re-gained ground in cohesion policy and in the structural fund design (Atkinson, 2015; Hamza, Frangenheim, Charles, & Miller, 2014).

Before delving in to the provisions potentially usable for local and urban actors and contexts, the general functioning and set-up of cohesion policy shall be presented here in a very scant fashion. The EU structural funding landscape is a highly regulated, bureaucratically organised field with a variety of competence allocations and oversight systems that are subject to ongoing reforms (for a historical overview, see Bachtler & Mendez, 2007). Among the most important recent cohesion policy reform outcomes is the concentration and streamlining of resources within ESIF and the "Lisbonization of cohesion policy" (Mendez, 2011).[6] The fundamental objectives are laid down in EU legislation, last revised in 2013.[7] The funds are clustered around a set of investment priorities and thematic objectives (TO)[8], determined by the Commission after consultation with the member states and valid for the seven-year period. To avoid structural replacement of domestic investments by EU funds, the *additionality principle* establishes co-financing thresholds depending on regional wealth. The classification of areas eligible for ESIF is based on the *nomenclature of territorial units for statistics* (NUTS).[9] The categorisation is based on regional Gross Domestic Product (GDP) per capita in relation to the EU average. The currently valid

[4] Prominent examples of such documents are the *Leipzig Charter on Sustainable European Cities* from 2007 under the German, the *Toledo Declaration* from 2010 under the Spanish, and, recently, the *Pact of Amsterdam* under the Dutch Presidency in the first half of the year 2016.

[5] The development leading to an increased understanding of urban issues on the European level has seen different stages and entailed the creation of the so-called *urban acquis*, the URBACT network, ESPON, and others, which cannot be discussed here for the sake of limited scope, but which are comprehensively presented by Fedeli (2014).

[6] The simultaneous targeting of deprivation and competitiveness has been identified as one of the contradictions in contemporary cohesion policy design. According to Karl and Demir (2015), the concentration of the ERDF on less developed regions is to some extent incoherent with the goals of the Europe 2020 strategy "if the latter is understood as a macroeconomic growth strategy" (Karl & Demir, 2015, p. 15; author's translation).

[7] The relevant Regulations are: Regulation (EU) No. 1303/2013 (referred to as the Common Provisions Regulation or CPR); Regulation (EU) No. 1304/2013 (ESF Regulation); Regulation (EU) No. 1301/2013 (ERDF Regulation). There is an additional body of Commission Delegated and Implementing Acts.

[8] The TO listed in Article 9 CPR are: 1) strengthening research, technological development and innovation; 2) enhancing access to, and use and quality of, ICT; 3) enhancing the competitiveness of SMEs; 4) supporting the shift towards a low-carbon economy in all sectors; 5) promoting climate change adaptation, risk prevention and management; 6) preserving and protecting the environment and promoting resource efficiency; 7) promoting sustainable transport and improving network infrastructures; 8) promoting sustainable and quality employment and supporting labour mobility; 9) promoting social inclusion, combating poverty and any discrimination; 10) investing in education, training and vocational training for skills and lifelong learning; 11) enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

[9] The categorisation works as follows: NUTS 3 = 150,000-800,000 inhabitants; NUTS 2 = 800,000-3,000,000 inhabitants; NUTS 1 = 3,000,000-7,000,000 inhabitants.

categories[10] are labelled *less developed regions* (less than 75% of the average GDP per capita), *transition regions* (75-90% of GDP per capita), and *more developed regions* (more than 90% of GDP per capita).

Each EU member state submits a Partnership Agreement (PA), including "the list of thematic objectives to be supported under the ESIF, the respective financial allocations and the links between the different programmes" (European Commission, 2015d). Based on the respective PA, the Operational Programmes (OP) drafted by the member states and, if applicable, sub-national entities, lay out how the TO are to be addressed and how the governance of fund administration is organised as they determine the bodies acting as Managing Authority, Certifying Authority, and Audit Authority. The Managing Authority is responsible for project selection and general implementation oversight.[11] The OP-drafting entities negotiate with the Commission before finally submitting it for validation. The *partnership principle*, laid down in Article 47 CPR and qualified in a specific code of conduct[12], calls for participation of selected 'public authorities, economic and social partners and bodies representing civil society' in the PA preparation and implementation, in programme monitoring committees, and in the general design of programmes. The negotiations concerning the exact resource allocation for each region during the seven-year period held between the Commission and the member states in a lengthy and highly complex process. As soon as the competent authorities have published the calls, public entities, private organisations, or individuals on the sub-national level can apply for co-financing via the Managing Authorities in charge of the programme at stake.

The ESF, established with the Treaty of Rome in 1957, is supposed to contribute to human capital development via investment in people, providing them with opportunities for qualification, activation, and training with the goal of better employability in the EU labour market (European Commission, 2014c). Complementing these efforts, the ERDF has tried to serve the purpose of fostering territorial cohesion within and between EU member states' regions since its introduction in 1975 (European Commission, 2014a). Today, ERDF and ESF can be deemed the most relevant structural funds for urban development as they provide specific budgets and tools

[10] During the 2007-2013 period, the categorisation was: 1) convergence (with a phasing-out subcategory due to the 2004/2007 eastern enlargement, 2) regional competitiveness and employment (with a phasing-in subcategory), and 3) European territorial cooperation. Before that, during the 2000-2006 period, the regions were clustered as Objectives 1, Objective 2, and Objective 3.

[11] See the most recent ESIF commentary (European Commission; 2015d) for a comprehensive description of the other bodies' tasks.

[12] This is the Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.

for that purpose (see below).[13] In addition, they are open for all European regions irrespective of their wealth or development levels, unlike the Cohesion Fund. Since "[t]he EU has targeted urban areas mainly by means of its Structural Policy"[14] (Dossi, 2012), one can state that cohesion policy is one of several conveyors of EU urban policy. Considerable shares of the funding ultimately benefit cities as this is where many projects and interventions take effect. Besides the impact triggered by the subsidies on the ground, the vast number of programmes and funding schemes provided by the ESIF can be understood as a sphere of exchange between the EU and local actors.

The history of urban-specific instruments within cohesion policy is long. The late 1980s saw so-called *Urban Pilot Projects* targeted at urban areas at the instigation of the Commission within Article 10 of the then valid ERDF Regulation (Atkinson, 2015). Subsequently, the Commission initiated the URBAN schemes focused on so-called *deprived urban areas*. URBAN I (1994-1999) was both ESF- and ERDF-fed, while URBAN II (2000-2006) was financed by the ERDF. The Commission suggested the schemes based on the assessment that increasing social exclusion in city areas was becoming a serious issue (Wukovitsch, 2010). URBAN induced considerable policy innovation, new forms of local-level partnerships and co-operation, while the impact and degree of institutional domestic change – the main research interest in most of the studies – remained determined by domestic preconditions (Dukes, 2008; Wolffhardt, Bartik, Meegan, Dangschat, & Hamedinger, 2005; Wukovitsch, 2010). The URBAN initiatives were streamlined into the general framework of the funds in 2007, merging in Article 8 (today Article 7) on 'sustainable urban development' of the ERDF Regulation. A tool introduced in the 2007-2013 period is the *Joint European Support for Sustainable Investment in City Areas* (JESSICA). It is supposed to foster partnership between local authorities and private and financial actors by setting up ERDF-fed funds for urban development investments that eventually generate profit themselves, thus work as revolving instruments. Concerning the most recent developments, some innovations and specifications within the ESIF for urban contexts are of importance, comprehensively summed up by Atkinson (2015). In line with the concentration aspect of the recent reforms, the ERDF Regu-

[13] As Cohesion Fund (CF) support is not applicable to the two cities under scrutiny, this fund is not addressed. Also, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) are of no direct relevance for this research. The focus on ESF and ERDF in this thesis necessarily disregards other sources employable for urban areas and/or for diversity-related challenges, such as INTERREG and URBACT, or non-structural fund-related schemes like Horizon 2020, the Fund for European Aid to the Most Deprived (FEAD), the European Employment and Social Innovation (EaSI) programme, among others.

[14] Note that all in-text citations are not altered and presented as originally published, even if they entail spelling deviant from the format used in the text body of the thesis.

lation's Article 7(4) entails an obligatory share of 5% for sustainable urban development, while local authorities are responsible for the implementation and act as 'intermediate bodies'. Article 8 accounts for the support of 'innovative actions in the area of sustainable urban development', and Article 9 establishes an 'urban development network to promote capacity-building, networking and exchange'. The new ESF Regulation provides combinations with the ERDF 'through strategies setting out integrated actions to tackle the economic, environmental and social challenges affecting the urban areas identified by the Member States' (Article 12(2)). Some new tools in the 2014-2020 period of cohesion policy distinctly target urban contexts, such as *Integrated Territorial Investment* (ITI) (Article 36 CPR) and *Community-led Local Development* (CLLD) (Articles 32-33 CPR). They allow for a combination of resources from the ESIF to target urban areas based on integrated development concepts and led by local authorities or local initiatives (Ramsden, 2014). Thus far, the take-up of both ITI and CLLD has not been as widespread as anticipated by the Commission (CEMR, 2015; Ramsden, 2014). Summing up, the current ESIF Regulations allow for targeted urban interventions via a number of newly introduced tools, while the use of these instruments is subject to domestic actors' decisions.

2.2 Urban diversity and its relevance for policy-making

After the complex world of structural funds, the even more complex world of urban diversity shall follow. This section provides a conceptual elucidation of diversity and its relevance for urban governance. The term diversity is – despite or even because of its seeming simplicity – highly complex. Urban diversity can very simply be defined as the "presence of a number of socio-economic, socio-demographic, and ethnic groups within a certain spatial entity, such as a city or a neighbourhood" (Tasan-Kok et al., 2013, p. 8). Theoretical approaches such as *super-diversity* (Vertovec, 2007) and *hyper-diversity* (Tasan-Kok, van Kempen, Raco, & Bolt, 2013) sharpen the understanding of the phenomenon by acknowledging the co-existence and mutual interconnectedness of different dimensions of diversity[15] and by taking into account people's activities, habits, and attitudes. For this thesis, however, the term diversity shall suffice, and it shall point holistically at the situation of people with heterogeneous ethnic, cultural, religious, social and resource-related backgrounds and different lifestyles living in a delimited spatial area.

[15] These dimensions are spanned across the categories ethnic, social/socio-economic, demographic, and lifestyle diversity.

Conceptually, diversity governance can be understood in different ways. It can be conceptualised either holistically as urban governance operating in a diversifying society, it can be asset-oriented in terms of conceptualising diversity as an (economic) opportunity for societies, or it can be understood in a deficit-oriented way with the objective of helping structurally disadvantaged people and areas to align with city-level development standards. The conceptual *problématique* of the diversity concept and its meaningfulness in urban governance emerges here very clearly. As section 2.2.1 shows, none of the sample cities pursue a well-defined and holistic type of diversity policy, but rather a deficit-oriented reading with regard to the ethnic and socio-economic dimensions of diversity. This type of diversity understanding, then, provides the most straightforward link with the structural funds, which are to a large degree usable to reduce deprivation. The core research question of this thesis, namely how local actors make use of ESIF resources to deal with diversifying urban realities, requires an understandable operationalisation for policy practice within diversity governance. The *Divercities* project suggest to concretise diversity governance as the array of policy measures targeted at social cohesion, social upward mobility, and local economic performance (Tasan-Kok et al., 2013). This operationalisation is taken up here.

Diversity as an urban social reality informs policy-making, as local actors need to adapt to the challenges and chances emerging from it (Syrett & Sepulveda, 2012), thus cities can serve as laboratories for policies tackling some of these challenges (Gerometta et al., 2005). There is long-standing sociological research addressing the consequences of urban inequality, polarisation, marginalisation, and (socio-spatial) segregation (*inter alia*, Häussermann, Kronauer, & Siebel, 2004; Cassiers & Kesteloot, 2012; Harvey, 2009; Musterd, 2005; van Kempen, 1994; van Kempen & Özüekren, 1998). Many scholars (Byrne, 2005; Lupton, 2003) have seen segregation "as a symptom of globalisation, economic restructuring, and the uneven distribution of wealth under a market economy that generates social and economic exclusion" (Carpenter, 2006, p. 2146). A recurring theme emerging from the assessment of growing socio-economic polarisation in cities is urban poverty and social exclusion, giving rise to so-called *deprived areas*. In policy practice, *deprived areas* serve as prominent locations for interventions, as multidimensional societal problems are defined as most pressing there (Tosics, 2015). As a cure to the problems observed in relation to segregation and spatially operant deprivation, a physically and socially mixed urban environment has been described, demanded, and criticised by scholars and planners alike (Fainstein, 2005; Münch, 2014; zur Nedden, Bunzel, Pätzold, & Strauss, 2015).

Not only the impact of growing socio-economic diversity, but also the repercussions of ethnic or cultural diversity give rise to discussions around the question what kind of diversity societies decide to cope with. Researchers have discussed the types of integration policies employed on different levels of government (Dekker, Emilsson, Krieger, & Scholten, 2015; Maan, van Breugel, & Scholten, 2014b; Poppelaars & Scholten, 2008; Scholten, 2013), and in particular changes in basic narratives like the shift from multiculturalism to assimilationism[16] in a number of countries (Bertossi, 2011). This shift was very pronounced in the Netherlands (Duyvendak & Scholten, 2012; Vasta, 2007), but also took place in Germany (Aumüller, 2009). As Europe experiences almost unprecedented numbers of migrants seeking asylum since the year 2014, immigration and integration policies have gained renewed attention and relevance all over EU states.

2.2.1 Diversity discourses and policy arrangements in Leipzig and Rotterdam

The section above has tried to show how many-faceted the issue of urban diversity is from a theoretical perspective. The realities accompanying diversifying urban populations impact very practically on the sample cities of this thesis. Leipzig and Rotterdam exhibit specific diversity-related challenges, and therefore present a valuable testing ground for this explorative research. The following section presents the urban settings and conditions and the respective governance approaches in both cities, drawing mainly from the respective *Divercities* findings. They report a lack of explicit diversity policies in both studied cities and a generally problem-oriented, area- and target group-based approach for addressing needs of diversifying populations and to maintain or generate social cohesion, social upward mobility, and local economic performance.[17] A number of policies targets diversity-related topics implicitly and explicitly. The policies range from clearly defined integration or citizenship policy (in Rotterdam) to more indirectly diversity-related policies concerning housing, education, social security, culture, infrastructure, planning, economic promotion, health, and welfare provision (in Leipzig and Rotterdam). In Leipzig, mainly the socio-economic dimension of diversity coin the public debate and policy responses. Rotterdam is mostly concerned with the socio-economic integration of parts of its – ethnically and socially – very diverse population.

[16] The concept of multiculturalism entails the idea of mutual tolerance while maintaining diverse identities (Vertovec, 2007), while assimilationism is understood as a state-led "one-sided process of adaptation" for immigrants, asking them "to give up their distinctive linguistic, cultural or social characteristics and become indistinguishable from the majority population" (Castles, Haas, and Miller, 2014, p. 250).
[17] The *Divercities* reports from the work packages 4 and 5 illustrate the approaches to urban governance in all project cities extensively. They can be retrieved from www.urbandivercities.eu.

Leipzig, as a city formerly part of the socialist German Democratic Republic (GDR), struggled massively after the German reunification of 1990. The reasons and manifestations of this were widespread decay of urban, particularly housing, infrastructure, heavy population losses and economic decline from the 1970s until the 1990s (Grossmann, Haase, Kullmann, & Hedtke, 2014). Towards the end of the 1990s and early 2000s, however, the trend turned around as the city attracted people from different parts of Germany and other countries (Haase, Herfert, Kabisch, & Steinführer, 2012). The city saw a large leap in shares of foreigners and of people with a migration background, especially in comparison with the East German (former GDR) average.[18] Still, social and demographic diversity aspects are very pronounced in Leipzig, showing in the high shares of people at risk of poverty of 25% (Deutscher Paritätischer Wohlfahrtsverband Gesamtverband e.V., 2015), of social welfare recipients (17.2% in 2013; ibid.), of early school leavers (15.3% in 2013; Bischof & Krüger, 2014), and in the high municipal debt level (Statistisches Landesamt Sachsen, 2016). The overall financial and economic situation remains coined by scarcity. Subsequently, local policy in Leipzig continues to pursue the dominant goal of stabilising the precarious socio-economic position of many inhabitants and thus the overall economic situation of the city (Grossmann, Haase, Kullmann, & Hedtke, 2014). With comparatively large numbers of foreigners and asylum seekers migrating to Leipzig during the past years, the – rhetoric – focus is put on issues surrounding the themes integration and inclusion of ethnically and culturally more diverse populations.[19]

The city is run by a directly elected social democratic mayor, in office since 2006, and the city council, in which the *CDU* (Christian democratic) and the leftist party *DIE LINKE* are the strongest factions, followed by the *SPD* (social democratic), the Green Party and the right-wing populist *AfD* (Stadt Leipzig, 2016b). Institutionally, Leipzig addresses diversity issues via target-group and area-based approaches, and in an integrated fashion (Grossmann, Haase, Kullmann, & Hedtke, 2014) – which is typical for the German urban governance approach (Tosics, 2011). The core idea of the integrated policy approach is that all departments are responsible

[18] The East German average ranks at the extremely low figure of less than 4% of all people with a migration background residing in Germany, while more than 96% of people with a migration background live in the western *Länder* plus Berlin (Stadt Leipzig, 2015b). This situation, surprising at first sight, roots in the selective migration movements after the Second World War, when mainly the economically thriving regions of West Germany attracted in-migration, which was massively fostered via the recruitment of so-called guest workers from various European and non-European regions. Thus, the post-war period laid the foundations for the population composition during the 1990s, when the economic development in the former GDR did not attract considerable in-migration, neither from foreigners nor Germans.

[19] This fact shows, *inter alia*, in the consultation process in preparation of the new integrated urban development concept *INSEK Leipzig 2030*, see footnote below.

for the realisation of overarching policy goals. The master plan for urban development (Stadt Leipzig, 2009) combines the integrated and spatial approach. It spells out the overall urban development goals and serves as the obligatory baseline document in defining physical city areas eligible for any funding, be it from the Free State of Saxony, the German state or the EU.[20] Leipzig has defined five areas as main foci for investment because they are deemed to be underprivileged and intervention to be most promising here: Leipzig East, Leipzig West, Grünau, the Georg Schumann street and Schönefeld (Stadt Leipzig, 2016a).[21] City, state and federal state and EU money is channelled to these areas based on the demarcations presented in the urban master plan. For the governance of diversity in Leipzig, the *Divercities* report on urban diversity policy finds a mismatch "between branding Leipzig as a cosmopolitan and tolerant city, by the official policy and city marketing, and real world life" (Grossmann, Haase, Kullmann, & Hedtke, 2014). The report argues that the city administration and government did not manage to fully integrate the growing multiplicity of actors into decision-making.[22]

In Rotterdam, both the discourse and the governance setting on diversity are polarised and very dynamic. Concerning the public and political diversity discourse, the *Divercities* reports suggest a rather tensed political climate in the city, caused by the contrast between a highly diverse urban population, in ethnic and socio-economic terms mostly, and a discourse frame of problem-related nature (Tersteeg et al., 2014a; 2014b). A case in point is not only the policy documents analysed by the *Divercities* research team,[23] but also current publications like the revised integration policy note for the 2014-2018, underlining the assimilationist, problem-oriented take on integration (Gemeente Rotterdam, 2015b).

Among the G4, the four biggest Dutch cities Amsterdam, Rotterdam, The Hague and Utrecht, Rotterdam ranks second in size with almost 620,000 inhabitants. The port of Rotterdam, being the largest in Europe, is the main driver for economic development. The ethnic composition of the Rotterdam population is highly diverse, with 8.5 percent of the urban population being Surinam origin, and 7.8 percent hav-

[20] The currently valid version stems from 2009 and is in the process of consultation and review. The city plans to effect the new integrated urban development concept, the *Integriertes Stadtentwicklungskonzept (INSEK) Leipzig 2030* in 2017.

[21] The terms do not necessarily define city boroughs according to administrative boundaries, but rather include a number of boroughs which constitute the larger investment areas. For Leipzig East, these are Neustadt-Neuschönefeld, Volkmarsdorf, Reudnitz, and Anger-Crottendorf, while Leipzig West comprises Lindenau, Alt-Lindenau, Neulindenau, Leutzsch, Kleinzschocher and Plagwitz. Schönefeld is composed of Schönefeld-Ost and Schönefeld-Abtnaundorf. Grünau is the largest prefabricated housing area ostly coined by prefabricated housing, comprising a number of sub-districts.

[22] Policy documents scrutinised in the Leipzig case deal with, *inter alia*, general urban development, education, housing, integration, health, and social policies (Grossmann, Haase, Kullmann, and Hedtke (2014).

[23] The documents analysed by the *Divercities* team scrutinising Rotterdam cover the areas work and economy, housing, integration, security, and education (Tersteeg et al., 2014a).

ing a Turkish, 6.7 percent a Moroccan, 3.8 percent an Antillean, and 2.5 percent a Capeverdean background (de Boom et al., 2014). The political and institutional landscape of Rotterdam is in constant flux. While the governing coalition in 2010-2014 was led by the social democratic *PvdA*, the 2014-2018 coalition comprises of *Leefbaar Rotterdam* as the strongest party, governing together with *D66* (liberal) and *CDA* (Christian democratic). *Leefbaar Rotterdam* is a local party taking tough stances on immigration issues. Already in 2002, it won the municipal elections, led by the openly islamophobic politician Pim Fortuyn. After its renewed success in 2014, *Leefbaar Rotterdam* provides three out of the six vice-mayors. The governance structure of the city allocates strong responsibilities for specific policy areas to the vice-mayors and the departments they chair. The departments for urban planning and integration, work and economy, and safety and maintenance are all chaired by *Leefbaar Rotterdam* vice-mayors. The recent coalition agreement (Gemeente Rotterdam, 2014) defines, among others, security, attractive public spaces, high-quality housing, integration, and sustainability as focus topics.

The diversity-related challenges the city of Rotterdam has are complex and manifold. Despite dynamic growth in many sectors, *inter alia* connected with the port, unemployment rate in Rotterdam is considerably higher than the Dutch average. Among the 60,000 welfare recipients in Rotterdam, 25,000 live in the southern part of the city, exemplifying the inner-city polarisation concerning life chances (Kansen voor West, 2014, p. 15). Also in categories like physical condition, security, and social cohesion, south performs rather badly according to a city-wide online tool providing scores for each district (Gemeente Rotterdam, 2016). Building on the so-called *Pact op Zuid* from 2006, the *Nationaal Programma Rotterdam Zuid* (NPRZ) has been channelling funding from the national level, the city of Rotterdam, housing corporations, educational actors and the EU to local actions in Rotterdam South since 2012 (Gemeente Rotterdam, 2015a). Polarised discussions have revolved around the topic of Islam and its compatibility with the ‘mainstream’ Dutch lifestyle (Tersteeg et al., 2014a; Uitermark & Duyvendak, 2008; van Ostaijen & Scholten, 2014). Rotterdam received wide attention and critique for its dealing with spatial concentration of less privileged groups via an exclusionary housing policy that impeded certain deprived groups of moving to certain areas to stop the allegedly subsequent decay of certain areas of low-quality housing (Musterd & Ostendorf, 2008; Uitermark & Duyvendak, 2008).

3. Theoretical framework: identifying determinants of local actors' use of structural funds in urban diversity governance

This chapter displays a theoretical approach the use of structural funds for urban diversity governance within the multi-level polity EU. The bulk of existing political science literature dealing with the role of sub-state actors in cohesion policy is informed by the logics of Europeanisation research. The Europeanisation approach, as an actor-centred and institutionalist account, tries to explain different entities' behaviours when being confronted with changing opportunity structures created by EU rules. As it allows to conceptualise the determinants of local actors' engagement with the structural funds, it represents a fitting account for the study of fund use in governing urban diversity.

Besides the traditional Europeanisation literature with its focus on domestic adaption processes to changed European opportunity structures, discursive approaches like the one employed by Barbehön (2016) are more based on a constructivist logic and reject the idea of the EU as "an objective reality" (ibid.) creating definable adaptational pressures. Such an approach offers an interesting additional view on how local actors discursively create their place within the EU polity and how they shape policy accordingly. However, as its fundamental research logic differs from the rather realist assumptions traditional Europeanisation literature builds on, this approach is not followed here. Several studies present Europeanisation by assessing the implementation of EU legislation. Thus, especially concerning local-level absorption capacity, theoretical frameworks addressing implementation are relevant within Europeanisation research, too. As shown by Hamendinger and Wolffhardt (2010b), theoretical approaches dealing with types of national institutional organising principles and multi-level governance and partnership are helpful in providing more insights on the conditions relevant for urban actors vis-à-vis the more and more broad and complex opportunity structure they are faced with in a globalised and Europeanised societies and economies.

The theoretical chapter is structured as follows. The first section analyses potential determinants for local actors' use of structural funding derived from the Europeanisation literature and related study fields. Section 3.2 integrates the insights from diversity governance discussed in chapter 2 by presenting the theoretical framework and the related set of factors that inform the empirical analysis.

3.1 Local use of EU structural funds as a case of Europeanisation

The connection between Europeanisation and diversity governance becomes clear in the assessment of the usability of EU funding for multi-dimensional diversity governance challenges in cities today. Diversity governance is one of many possible areas in which the use of structural funds by local actors can materialise. In order to answer the main research question – *What determines local actors' use of EU structural funds for tackling diversity-related issues in urban contexts?* – the framework used here sheds light both on the bottom-up (local actors' motivation and capacities) and the top-down (degree of fit of structural funds with domestic needs and arrangements) aspects of Europeanisation, being embedded in a multi-level decision-making structure, and with an emphasis on local perspectives.

Early Europeanisation literature investigates the impact of the "process of construction, diffusion and institutionalization of [EU-induced] formal and informal rules, procedures, policy paradigms, styles, ways of doing things, and shared beliefs" (Radaelli, 2003) on *national* political systems. There are manifold ways in which the EU can impact on subnational levels, which can be beneficial or detrimental for actors on these levels (Fleurke & Willemse, 2006). Hereby, structural funds can be seen as an "invitation" (ibid.) to local actors. Increasingly, scholars have used the traditional Europeanisation research as a lens useable for the explanation of the engagement of local actors with EU institutions, EU policies, and EU topics, often with regard to a policy analysis nested in structural policy (De Rooij, 2002; Dukes, 2008; Hamedinger & Wolffhardt, 2010a; Marshall, 2005). Hamedinger and Wolffhardt (2010a) wrap up the state of research on Europeanisation of local contexts in a comprehensive compendium. In the introductory chapter of the volume, (Hamedinger & Wolffhardt, 2010b) provide a definition of urban Europeanisation

> "as the interplay between actors and institutions on the European and the city level, which leads to changes in local politics, policies, institutional arrangements, discourse, actors' preferences, values, norms and belief systems on both levels. The interplay is considerably determined by different dynamics (e.g. download-upload) and works through different modes of governance (e.g. hierarchy, market, networks)" (p. 28).

The upload-download dynamic has been described by Marshall (2005) for urban Europeanisation in depth. Beyond the descriptive accounts of the interplay between different levels of government, the main concern (and dependent variable) of Europeanisation literature is domestic change – in practices, institutions, norms, rules, etc. (see also Dossi, 2012). Even though elements of local-level change do show in the empirical section of this thesis, the degree of change is not the core interest here. This thesis seeks to delimit the determinants of structural fund use by local

actors for urban diversity governance instead. Thus, the Europeanisation account needs to be checked in light of what it offers for answering this question. In fact, by shedding light on local actors' preference sets vis-à-vis the opportunities provided by the EU, and the conditions shaping them, Europeanisation literature is valuable for a conceptualisation of the determinants of local actor's fund use.

3.1.1 Motivational and intermediate factors

When studying the type and degree of engagement of local actors with EU policies and instruments, one needs to investigate both their preferences and the conditions shaping these preferences. It is insightful to ask under what conditions city actors are interested in engaging with the EU level and, specifically, in attracting EU structural funds complementing their own resources. Wolffhardt et al. (2005) differentiate between a top-down account of structural fund impact on local government and the bottom-up perspective of city-level determinants for EU engagement. Despite the top-down/bottom-up account being so closely intertwined that a separation is debatable, Wolffhardt et al. (2005) provide a valuable framework by defining a set of factors impacting on cities' propensity to engage with the EU level. Based on case studies of the cities Dortmund, Graz, Hamburg, Liverpool, Manchester, and Vienna, they distinguish constitutive "motivational factors" and structural or resource-related "intermediate factors". These factors shall be explained in the following section, complemented by accounts from different theoretical approaches such as implementation literature. Wolffhardt et al. (2005) identify the motivational factors as

> "constitutive factors which emerge at the level of the city, and which represent the interests, preferences and objectives of cities as they emerge from the perceptions, deliberations and decision-making processes among the actors of the political-administrative system. They are the driving forces behind any EU-related activities of cities – without them, no European engagement would materialise" (p. 94).

In addition, the motivational factors entail a prototypical representation of forms the EU can take for urban actors as a problem solver, a stage, a threat, an alternative, or a duty (p. 94-97). Intermediate factors, on the other hand, are believed to moderate the impact of motivational aspects, as they contain the opportunity structure the city faces:

> "They can be structural, defining boundaries or opportunity structures for EU-related action (which cannot be altered by the city), or resource-related, pointing to the human resources and organisational capacities available (and open to deliberate efforts to create them). What they have in common, however, is their mediating effect on the primary motivational factors" (p. 97).

More concretely, the structural aspect contains variables such as political choice, size, domestic institutional and constitutional context, while the resource-related dimension is established by organisational and political-administrative capacity. The authors themselves note that motivational and intermediate factors are not mutually exclusive. Still, a differentiation along the lines of local actors' own preferences and the conditions shaping and moderating them is fruitful for further analysis.

3.1.2 Capacity and resources

Identifying the determinants of local actors' fund use asks for an investigation of the capacities local actors have. Wolffhardt's et al. (2005) intermediate factors entail capacity-related aspects like

> "the creation of a capable administrative structure for dealing with EU affairs, the disposition of necessary financial means, the employment of committed staff, the build-up and availability of expertise in the administration, and a 'European awareness' which can place developments at European level and the significance of EU policies in the right context" (p. 97).

A turn towards absorption capacity literature dealing with implementation inefficiencies of structural funds helps spelling out these concepts further. Research primarily focuses on the youngest EU member states, as absorption capacities are considered to be problematic in some of these states (European Parliament, 2011a; Lackowska-Madurowicz & Swianiewicz, 2013). Busetti and Pacchi (2014) employ a broader angle. By using case studies from France, Italy, and Poland, they differentiate institutional capacity in the use of structural funds via a threefold distinction:

> "1) the ability to come to terms with EU rules and procedures, that is to say the complexity of the management dimension of EU funds and the ability to combine them with the national and/or regional rules and procedures; 2) the capacity to use EU funds and procedures to bring forth local projects and strategies that local actors already had in mind or that they develop on purpose; 3) the capacity to use the competences built through the use of EU funding in order to improve the overall quality of administrative action" (p. 17).

In Busetti's and Pacchi's (2014) framework, so-called capacity-building tools such as training, staffing, network building, and procedural and institutional innovations are suggested in order to ameliorate the deployment of structural funds on sub-national levels. Indeed, the capacities city actors have available matter as ESIF form a highly regulated and complex policy area and that EU funding comes with considerable administrative tasks. Despite the alleged "performance turn" in the current programming period (Mendez, Kah, & Bachtler, 2012), bureaucratic burdens for imple-

menters on the ground seem to persist in many cases. Existing case study evidence gathered in Poland and Spain suggests that local actors face significant obstacles in employing revolving financial instruments like JESSICA that "involve repayable funding as opposed to grant-based assistance" (Dąbrowski, 2014) for urban development investments. These difficulties mainly arise due to legal uncertainty, capacity gaps in local administrations in handling a revolving fund, and culturally informed resistance to such a new instrument (Dąbrowski, 2014). The unproblematic usability of structural funds for urban contexts has been questioned by actors like the Committee of the Regions (Committee of the Regions, 2014) and most pronouncedly by the European Parliament (2011b). A public consultation carried out by the Commission in 2014 reveals that local stakeholders are particularly unsatisfied with the degree of complexity of funding application and with the limited availability of funds (European Commission, 2015c).

3.1.3 Institutional context

The presentation of the domestic institutional and constitutional context in Wolffhardt's et al. (2005) framework, is limited to the statement that

> "[t]he place of municipalities (or particular cities) in the member state political system and their jurisdictional competences, as well as national policy frameworks in thematic areas which are important to cities, can strongly influence a city's patterns of involvement with the EU" (p. 98).

Hence, a turn to literature on partnership principle within the multi-level system of structural funds helps filling this void. As laid out by Bache (2010), the principle in structural policy equals "the requirement that decisions over the spending of funds are made collaboratively by a mix of state actors from different territorial levels – supranational, national and subnational – alongside non-state actors" (p. 58). A large body of this literature, embedded in the theoretical framework of multi-level governance (Batory & Cartwright, 2011; Potluka & Liddle, 2014), assesses the inclusion of civil society organisation into the cohesion policy governance structures via monitoring committees.[24] Next to this horizontal aspect, the fundamental question whether partnership works vertically, thus if local authorities are included according to the requirements, is abnegated by a report of the Council of European Municipalities and Regions (CEMR, 2015). Based on a survey among member states, it finds full application of the partnership principle – where "local and regional authorities through their national associations were well involved in the process at all

[24] As the horizontal application of the partnership principle is not the focus of this study, the mentioning shall suffice here.

stages (discussion and drafting with national civil servants, and exchange with stakeholders) and their input and comments were taken into account in the content of PAs and OPs" (p. 8) to only apply in Denmark, Finland, Lithuania, and the Netherlands. Germany ranks among the "partial partner involvement" group, where the local and regional authorities "were invited to submit input to the content of PAs and OPs and they participated to some sessions of discussion, but their involvement was more limited and less regular" (p. 9). The study shows that there are institutional differences that might co-determine the way structural funds are taken up by local actors.

3.1.4 Degree of fit of EU and local norms and processes

Lastly, within traditional Europeanisation thinking, the degree of fit between EU and domestic/local norms and processes moderates the adaptational pressure exerted on the local level's structures and thus moderates the degree of change. Wolffhardt et al. (2005) see the fit between EU and domestic arrangements verified for their case studies "as being the precondition for visible Europeanisation effects" (p. 102).

In line with the traditional Europeanisation literature, Dossi (2012) follows the reasoning that the degree of fit between EU and domestic norms determines the quality of the impact of EU programmes like URBAN. Also Marshall (2005) builds on the sequence of an EU initiative resulting in adaptational pressure, depending on the degree of fit between the suggested and the domestic norm, shaped by the institutional context, ultimately inducing local change. Applied to the study of structural fund use in urban diversity governance, which is more interested in the way in which the EU opportunity structure actually invites take-up by local actors than in domestic change, the degree of fit is relevant in two ways. First, one could ask if the content-wise design of the structural funds fits the types of challenges local actors want to address with the funds. Second, it is important to ask in what way this fit moderates the way in which the funds are (not) employed.

To the author's knowledge, there are few accounts of the specific use of EU instruments for policies related to urban diversity. The *Upstream* research project (Benton, McCarthy, & Collett, 2015; Maan, van Breugel, & Scholten, 2014a) investigates this nexus to some extent by asking about the role of the EU in mainstreaming policies targeted at "diverse and mobile populations" (Benton et al., 2015). [25] Their assessment is that the EU could play an enhanced role in policy coordination, partner-

[25] Benton et al. (2015) conceptualise diversity mostly in ethnic and cultural terms, but also account for the socio-economic aspect which often goes hand in hand with ethnic diversity.

ships, and via specifically funding migrant and grassroots organisations and initiatives targeted at social cohesion (Benton et al. 2015). The verdict concerning the latter point is that

> "EU funding has clearly played a valuable role in funding programmes that may have otherwise been cut in the context of austerity, and has thus benefited many disadvantaged and minority groups. However, it is unclear whether it has driven real policy innovation in the area of integration (…). More commonly, EU funding has been used to do 'more of the same', and the bureaucracy of funding procedures has meant that ESF, for instance, is insufficiently nimble to respond to rapidly emerging challenges" (Benton et al. 2015, p. 30).

3.2 Applying Europeanisation insights to diversity governance

As the sections above demonstrate, there is a rather limited body of research on the performance of the structural funds in contemporary governance issues. The literature on Europeanisation with its refinements concerning sub-national entities provides helpful analytical tools to understand why and how cities today engage with EU funding, even though this approach has not been used for explaining actual use of funds by local actors for specific governance challenges.

The studies presented above investigate the nexus between the design of EU funding schemes and changes on the ground. The shortcoming of these analyses for today's understanding of this nexus is that they are confined to the impact of the distinctly urban- and also deprivation-centred URBAN schemes, which they treat as manifestations of urban Europeanisation. The literature only indirectly assesses how the 'Europeanised' structures are related to the use of structural funds for specific governance challenges in the wake of diversifying populations. Since URBAN, both the European and the local contexts have changed considerably, with such events as a global financial crisis and subsequent Europe-wide economic recession which heavily impacted specifically on municipal budgets and labour markets.

Against the backdrop of Benton's et al. (2015) rather critical assessment of EU structural fund performance in tackling these "rapidly emerging challenges" (Benton et al., 2015, p. 30), the goal of this thesis is to delineate the determinants of the use of structural funds in addressing contemporary issues surrounding urban diversity by local actors. Using examples of urban diversity governance supported by EU instruments is supposed to help understand how local actors can or cannot make use of the opportunity structures provided by the EU funding schemes. Hereby, it is crucial to bear in mind the ambiguity that the diversity concept entails, which is addressed in section 2. Diversity governance can, in an ample understanding, be con-

ceptualised as urban governance *per se*. This departs to some extent from the approach in the two case study cities Leipzig and Rotterdam, where the targeting of diversity-related issues works via deficit-oriented, area-based, and target group-specific measures. The connection with ESIF also fits into the latter conceptualisation with its integral orientation towards (the mitigation of) deprivation.

Summing up the above-mentioned empirical evidence on the Europeanisation impact on subnational levels, three interrelated elements are identified to be crucial for the contemporary study of urban Europeanisation with regard to its relevance in diversity governance. They are not presented here as testable hypotheses, but as broad sets of factors which need to be further qualified via the empirical research process. Firstly, **motivational** factors operating on the local level concerning the take-up of the opportunities provided by the structural fund resources, i.e. to get involved with ESIF funding and the conditionalities attached to it in the first place, seem relevant. In this vein, the perceptions local actors have vis-à-vis the EU as a political body, but also in employing structural funding, should inform engagement, with a positive estimation that structural funding is relevant for urban diversity governance positively affecting fund use.

Secondly, local-level **capacity** should play a considerable role determining use of funds. Hereby, different types of capacity – organisational, administrative, absorption-related, and financial – may be at work. The range of capacities of local administrations should largely define the effectiveness with which funds can be attracted and used. This is closely related to the third aspect, the **domestic institutional set-up** and interconnectedness of actors on different levels of government and the leeway opened up for local actors to use EU resources and ideas for their own governance contexts. The institutional interplay of the local level with other layers of government and fund Managing Authorities on regional and national level should influence the local use of structural funds. In addition, it is important to look into links between the municipality and the EU level with regard to lobbying activities circumventing regional or national authorities.

Lastly, the **degree of fit** between EU conceptions of diversity and their reflection in the ESIF design and real-life local diversity-related challenges is believed to determine local fund use. This is only one aspect of the degree of fit hypothesis introduced above, though. The (mis-)fit assumption could also apply to processes and institutional set-ups that are challenged by the EU rules in structural funding. An important determinant concerning structural fund use is then if the ESIF objectives provide tools employable in urban diversity governance in the first place, and, if so, how the instruments can respond to local-level needs.

4 Methodology

This chapter provides the methodological basis for the analysis. The two case studies of the cities Leipzig and Rotterdam are realised by employing a number of analytical steps and sources of information. First, empirical evidence on the use of the ESIF in both cities is presented based on desk research and on the existing *Diversities* findings. Then, the document analysis of the Sixth Cohesion Report provides information concerning the conceptualisation of cohesion policy vis-à-vis urban contexts, as laid out by the Commission. Subsequently, an analysis of the current ERDF and ESF Operational Programmes shows the room these documents open up for urban development. Lastly and most importantly, an analysis of nine qualitative guided interviews conducted by the author provides knowledge on local actors' own perspectives and hence sheds light on determinants of the fund use for urban diversity governance. The two-city comparison is deemed a reasonable first step in an explorative design like this, bearing in mind that the study needs to be expanded to more – and more heterogeneous – cases in the future.

4.1 Case selection

Applying the same theoretical framework to both contexts suggests that similar mechanisms should be at work determining the use of funds in urban diversity governance. However, the degree of comparability of the cities of Leipzig and Rotterdam could be subject to intense debate. One of the goals of this explorative study is to determine whether the determinants can be in fact covered by one framework. Indeed, the cities share a number of similarities, namely size, location within wealthy EU member states, a tensed diversity discourse, and diversity policies addressing spatially concentrated high rates of deprivation while being framed by scarce resources due to cuts in the municipal budgets. On the other hand, the cities' (diversity-related) legacies and their governance arrangements vary considerably.

Against this backdrop, no orthodox most similar or most different systems design, according to traditional case selection rules (Gerring, 2007), is employed here. As the research is exploratory in nature, this thesis seeks to provide detailed insights into two specific urban contexts, knowing that the attempt of demonstrating larger-scale generalisability is subject to further scrutiny. Still, showing how two cities in which diversity in all its forms and dimensions presents an important policy challenge use EU structural funds in addressing these challenges is an important first step in identifying what role these funds can play for urban actors. The outcome variable to be compared between the two cases is the extent and type of structural

fund use on the local level for urban diversity governance. Three broad sets of possible explanatory variable are assumed to play a relevant role in determining the variable manifestations: motivational and capacity aspects on the local level itself to get engaged with EU structural funds, the institutional governance structure, and the degree of fit of the fund design with contemporary urban (diversity) challenges.

4.2 Document analysis

4.2.1 General goals and constraints

Document analysis can be performed via a variety of ways and build on very different types of data and epistemological interests. Qualitative content analysis (QCA) with its interest for delimited aspects of given content is best suitable for a targeted analysis of data (Schreier, 2012). The document analysed here, the European Commission's Sixth Cohesion Report (European Commission, 2014b), is a representation of the official EU position on the state of cohesion policy and its evaluation of contemporary cohesion policy challenges and instruments to respond. It thus represents a condensation of the opportunity structure provided by the EU, which has been identified as important in the theoretical chapter 3. The main categories employed for the analysis of the cohesion report are 1) the assessment of societal challenges and problems and 2) the approaches suggested for pursuit in the future, i.e., possible solutions. It is important to note that the analysis is limited to statements concerning the urban dimension of these main categories.[26] Thus, the report is scanned with a view to the role it assigns to cities in governing societal challenges.

The sample selection for this thesis must remain limited, so the complexity of different actors' positions vis-à-vis the room for urban diversity governance within structural funds cannot be represented sufficiently detailed. Within this analysis, however, the document analysis functions as a reflection of the framework conditions for deploying ESIF in urban contexts. The core interest of this thesis is to understand what drives professionals to employ ESIF for co-financing urban policy measures, so the original data gathered via interviews with people engaged with ESF and ERDF management and allocation in the two urban contexts is of central importance and thus takes up most of the room of the analysis in chapter 5.

[26] For an encompassing coding of the document within this scheme, all subcategories not dealing with urban contexts would have to be coded as "other" or as subcategories in their own right.

4.3 Expert interview analysis

4.3.1 General goals and constraints

The guided interviews conducted in the course of this thesis seek to provide a more in-depth understanding of the determinants of EU structural fund deployment and the relevance of these financial resources for inclusive urban development. The goal is to determine what local actors define as factors contributing to or hindering the successful use of ESIF money for their policy plans and objectives in dealing with diverse populations. Kvale and Brinkmann (2015) point to the fact that interview research is a craft, a social production of knowledge, and also a social practice, which entails a great deal of learning effects for the researcher her- or himself, but is also a challenge. The researcher should thus be aware that "[i]nterview data consists of meaningful statements, themselves based on interpretations; the data and their interpretations are thus not strictly separated" (p. 67). For this thesis, this means that the author must be considered an integral part of the knowledge production process through her interview conduct and through the interpretative synthesis of the evidence gained in the interviews.

4.3.2 Sample selection and guided interview questions

The interviewees were selected according to their identification as relevant experts for the governance of structural funding in the cities via extensive desk research. The typology of interviewees, as shown in the appendix, sorts them according to the city (district) affiliation, position within the city governance structure and type of professional structural fund relation. This section does not provide any exhaustive job description of the participants for a profound reason. A critique is presented below in section 4.3.2.1. In total, nine guided interviews were conducted in May and June 2016, adding up to transcribed material of around 650 minutes. Seven of the interviews were conducted personally during visits of the author of this thesis at the interviewees' work places, the other two were held via a phone call. All but one interview were audio recorded via a sound recorder after having obtained the oral declaration of consent of interviewees. All interviews with Leipzig representatives were conducted in German, the interviews with Rotterdam experts were held in English. The empirical section 5 works with translations of the German quotes provided by the author. Except from two interviews which were transcribed in the form of a summarising report[27], all recorded interviews were transcribed word-for-word and

[27] These were transcribed in the form of summarising reports because only several passages were of relevance for the questions asked in this thesis, mostly because interviewees' affiliation with the funds was not as straightforward as with the other sample members.

analysed on the basis of this text material data. In order to gather the information that interviewees themselves deemed to be relevant in the context of their work with ESF and ERDF, and thus in order to gain a broad coverage of the area, interviewees were asked to provide their professional knowledge and experiences in working with the funds. The main themes covered in most[28] of the interviews were:

- the type of working structure the interviewee was embedded in and how this related to the use or management of EU structural funds;
- the ESIF management governance structure and the relevant players on different levels of government from the perspective of the interviewee's work;
- the policy areas covered by structural funds in the pertinent urban contexts, with a specific focus on diversity-related policies, i.e., policies aimed at creating social cohesion, social mobility, and local economic performance;
- the relevance interviewees assigned to structural funds for urban development in general and to diversity-related policies in particular;
- an outlook on the future design of cohesion policy post-2020 with regard to its urban dimension and its potential contribution to diversity governance.

The exact questions asked differed from interview to interview, as interposed questions were used often. A prototypical representation of the questions is provided below, with 'XYZ' indicating the respective city (area):

1) Could you describe your work and how it relates to structural funds?
2) In your opinion, what are the policy areas targeted with ERDF and ESF (in area XYZ) today and in what way did this focus change compared to the previous funding periods?
3) How does the negotiation of ESIF action in XYZ work? Who are your main partners on other levels of government and in the civil society?
4) What relevance would you assign to ESIF for neighbourhood development (in XYZ) compared to the funding periods before – with regard to the funding volumes, but also the content-wise design of the regulations?
5) What role does additional external funding play for urban development in XYZ?
6) In what way do the ERDF and the ESF provide opportunities to fund measures or policies targeted at creating social cohesion, social upward mobility, or local economic performance?

[28] The questions the interviewees were asked differed slightly according to the position and expertise of the particular interviewee and on situational factors emerging during the conversation, such as the reaction to a specific topic (like ITI or urban development funds) or aspect raised by the interviewee.

7) What are the chances and risks for the post-2020 cohesion policy period with regard to the urban dimension and what do you think is the necessary way of reform?

This structure applies to most interview partners, apart from R-aca and Le-O2, who differ from the rest of the sample as they are not directly related with ESIF management. Thus, the questions R-aca was asked were more about the general diversity discourse at play in Rotterdam, while the topic discussed with Le-O2 was the feasibility of financial instruments in urban development in Leipzig. In answering the rather procedural questions, interview partners provided a large amount of valuable information that might not have been gathered by asking questions concerning the influence of different levels of government on the design, implementation and management of ESF and ERDF straightforwardly. The transcribed data was scanned according to the categories provided above, namely local-level motivational factors, capacity-related factors, the institutional context, and the fit of EU fund design with challenges on the ground. The goal of the analysis was to go beyond these factors, though, and to make use of the full range of information provided by the interviewees in order to generate hypotheses valid for the contemporary study of local actors' involvement in structural funds for diversity governance.

4.3.2.1 Sample selection critique

Reliance on professionals from the city administration bears positive and negative implications. The reason why this analysis largely rests on the expertise of city administration staff[29] is that this group can be considered to merge a number of important perspectives operating at city level. The way the administration deals with the funding allocation and management represents a city-wide negotiation outcome on the question how to use the funds. In other words, talking to the city executive is best suitable to answer the question what role the funds play in urban governance. In fact, the vast majority of people interviewed for this thesis are the ones most concerned with the funding proceedings. Deciding on the fund allocation might be a political decision, but managing the funds is, above all, an administrative and bureaucratic procedure. The interviewees were thus able to provide information both on the political environment and on the institutional and procedural workings of ESIF use. Nevertheless, this approach can be criticised. The sample is very homogeneous concerning people's professional, educational, and social status, their age, ethnic background, and – lastly – their relation to the funds. Thus, despite the ad-

[29] Apart from the researcher R-aca, who was interviewed to provide some context for the Rotterdam diversity discourse and from two intermediary actors, Le-W1.1 and Le-W1.2, who are paid by the city, but are very autonomous in their work in the district.

vantages the reliance on the selected sample has, one could also argue that the quality and depth of insights might have profited from an inclusion of civil society actors, local-level politicians, and representatives of other levels of government.

The presentation of the results, entailing a high degree of anonymisation, requires justification. There is methodological critique of using anonymous sources for evidence gained in interviews due to lacking reliability and replicability of such studies (Plümper, 2012). Parts of the interview statements are presented below as direct quotes, allowing the local actors' voice to be understandable in the most concrete fashion. Thus, the interviewed persons – who are, due to their quite specific professional tasks, quite easily recognisable by knowledgeable people – are given prominent room to speak. Therefore, a very far-reaching anonymisation is done to provide the level of privacy protection such a proceeding requires. In addition, the possibility to speak anonymously provided the precondition for the interviewed people to share insights on the politics and contestation surrounding structural fund use.

5 Empirical findings

The following chapter provides the summarised and condensed findings from the analysis of the 2014 Cohesion Report, from desk research concerning the evidence of past and present ESIF use in Leipzig and Rotterdam, and from the interview research. Most room is given to the interview findings, as they are considered the heart of the analysis. Following the discussion of the Cohesion Report analysis in part 5.1, section 5.2 lays out the empirical knowledge on past use of ESIF in Leipzig and Rotterdam and presents the currently valid OP provisions for urban development. Section 5.3 presents the information gathered during the interviews, based on the factors local-level motivation and capacity, institutional interplay, and degree of fit of funds with local challenges. Section 5.4 provides merged insights from the analyses in the discussion chapter, and part 5.5 concludes by synthesising the insights into a number of hypotheses emerging from the empirical research for further scrutiny.

5.1 Cohesion Report and OP analysis

The 2014 Cohesion Report is treated in this analysis as a reflection of the opportunity structure provided by the EU level concerning the role of cities and urban areas in structural funds. Thus, the analysis can help answering the sub-question put forward above, asking what kind of opportunity structure the structural funds provide for urban actors in the first place. The Cohesion Report offers a good testing ground for that as it represents the Commission's official position on problem definitions and desired priorities for cohesion policy after 2014. Structurally, the report follows the Europe 2020 goals: smart, inclusive, and sustainable growth. In the summary part of the report, it is stated that "cohesion policy stronger voice to cities" and that it "needs to better include partners at all levels".

A first reading of the text and of some buzzwords might give a vague idea of the type of issues addressed in the report. The terms *poverty, exclusion,* and *inclusion* feature very prominently. *Diversity* only surfaces with regard to bio-diversity, thus it is not a sociological concept relevant for the Commission's take on cohesion policy. Other diversity-related terms such as *tolerance*, *polarisation*, *social mobility*, *racism* or *segregation* do not appear at all in the text. Beyond simple rhetoric, the report does provide a specific role for cities in cohesion policy, thus it illustrates the opportunity structure opened up for local actors in structural funds. Cities and urban areas, and developments taking place in them, are presented both as parts of problematic developments and as parts of the solution to these challenges in the report. The

most prominent way of doing this is via an assertion of socio-economic problems that operate in urban areas, like urban poverty and social exclusion. With regard to environmental issues, the growing urban land consumption and congestion are named as problematic developments. Equally, urban areas are assigned far-reaching problem solving capabilities in order to tackle the socio-economic and environmental challenges. Mostly, densely populated urban areas are believed to be the most feasible points of intervention because the framework conditions, like compactness and density, support sustainable economic development. The main areas of intervention here are public transport and general resource (including land-use) efficiency. In terms of the innovative potential of cities, as highlighted in the 'smart growth' goal, the report points to the potential of metropolitan regions, capital cities, but also of second-tier cities that should be supported more.

All in all, the Cohesion Report represents the efforts made on the European (Commission) level to include urban areas more prominently in cohesion policy. It shows that certain diversity-related issues operating in urban areas, like poverty and social exclusion, rank high on the Commission agenda. In addition, the tackling of these crisis-induced developments is believed to be addressed *inter alia* via cohesion policy instruments employed in cities and urban areas. Another important insight from the document analysis is that the goals of cohesion policy, having been streamlined with the three overarching Europe 2020 goals of sustainable, inclusive, and smart growth, also withdraw the (rhetoric) focus from other societal developments, which have been shown to be relevant for the governance of diversity, namely socio-economic polarisation, segregation, or social mobility. Also the term or the concept of diversity is no relevant aspect in the Cohesion Report at all. In fact, a rather narrow definition of diversity, namely rising inequality and (urban) poverty, is given large room and is made one of the most important focus areas. This shows to a certain extent how much the semantics of the Europe 2020 agenda frame the type of action foreseen within structural funds. Concerning the institutionalist aspect, the cohesion report mentions local authorities as playing a meaningful role, but this assertion remains conditional on the realisation of the partnership principle by member states. All in all, the Cohesion Report assigns a strong role to cities for addressing diversity-related issues, but it employs no specific diversity focus. The interview analysis following in section 5.3, then, provides the necessary link concerning the usability of funds, by showing how actors take up the narrative laid out in the structural funds, if they deem it helpful and if the objectives are congruent with local-level definitions of diversity challenges.

The opportunity structure presented within structural funds does of course not end with Commission statements. More importantly, the degree to which the rhetoric guidelines are translated into workable frameworks determines the leeway of cities in using ESIF. To assess this, one has to turn towards the operationalisation of the EU guidelines on national and regional level, i.e., the Operational Programmes. This section wraps up the relevant parts of the respective OP valid for Leipzig and Rotterdam – the ESF and ERDF OP for Saxony, and the ESF and ERDF OP for the (West) Netherlands. The provisions relevant for urban development and for urban diversity governance in the sense of providing funding for such measures add another piece to the picture of the opportunity structure the EU provides for urban actors in structural funds concerning diversity governance.

Saxony / Leipzig

The ERDF OP (Freistaat Sachsen, 2014a), comprising a total of 2.6 billion (2 billion EU-financed), provides the priority axis "sustainable urban development" for urban-centred intervention municipalities can apply for. 14.4 M[30] are available for Leipzig within this axis. The measures within the axis are applicable for cities of more than 5.000 inhabitants, and the municipalities are considered to be the beneficiaries and competent authorities in terms of project selection and implementation. The funding is targeted "at the climate- and environmentally sensible urban renewal and the economic and social revitalising of underprivileged cities or city areas" (p. 98). Four investment priorities are eligible for funding:

- Investment priority 4e) is about urban CO_2 reduction and operationalised via energy-saving construction measures, investments in local heat supply infrastructure, energy efficiency in public infrastructure, and environmentally friendly mobility concepts.
- Investment priority 6c) promotes the conservation and further development of cultural historic sights.
- Investment priority 6e) targets the reactivation of inner-city abandoned brownfield areas.
- Via investment priority 9b), underprivileged urban and rural areas shall be revitalised economically and socially by ameliorating the housing and living conditions for different social groups. The priority includes support for small enterprises, which can be flanked by non-investment-related measures for public relations and neighbourhood management spending.

[30] Unless indicated otherwise, all figures concerning resource endowment are in euro (EUR/€).

The Saxon ESF OP (Freistaat Sachsen, 2014b), which contains a total of 830 M (660 M EU-financed), also entails provisions targeted at urban areas. Naturally, ESF has a built-in focus on empowering underprivileged people. The priority axis B "fostering social inclusion and fighting of poverty and any discrimination" provides the urban-centred goal "fostering inclusion and labour market integration of people in socially disadvantaged urban areas". 32.5 M are available for Leipzig within axis B. The section on the "integrated approach to urban development" (p. 96-98) mentions the possibilities opened up by Article 12 of the ESF Regulation to combine ERDF and ESF, but in the subsequent paragraph, it rules out the use of ITI (p. 97).

(West) Netherlands / Rotterdam

The ERDF OP for the West Netherlands region (Kansen voor West, 2014) in the 2014-2020 period is endowed with an overall volume of 480 M (190 M ERDF). It is of crucial importance to note that the western part of the Netherlands is where all the four major cities (G4) are located – with Amsterdam in the Province *Noord-Holland*, Rotterdam and The Hague in the Province *Zuid-Holland*, and Utrecht in the Province *Utrecht*. Thus, the OP is inherently focused on cities, and on the G4 in particular. The problem definition in the public version of the OP asserts: "In the four major cities (...) there are districts where a combination of high (youth) unemployment, mismatches on the labour market, and insufficient investment factors for companies hamper a sustainable and balanced urban development" (Kansen voor West, 2014, p. 10; author's translation).

The budget available from ESF for the entire Netherlands is about 1 billion (500 M EU-financed) for 2014-2020. ESF resources are strongly concentrated on reintegration. Also, the G4 are mentioned as a specific area for ESF intervention, as unemployment rates are highest here and "of the 40 biggest problem districts in the Netherlands, the majority lies in the G4" (Agentschap SZW, 2014, p. 20; author's translation). The OP points to Article 12 of the ESF Regulation to use ESF in combination with ERDF, which is to be applied in the G4. The ESF OP highlights the need to tackle two aspects of sustainable urban development, namely the economic one – to be addressed via ERDF – and the social one – to be addressed via ESF – via an integrated approach within the ITI scheme (Agentschap SZW, 2014, p. 81).

The implementation plan for Rotterdam (College van B&W Rotterdam, 2015) represents an integrated use of ESF and ERDF. For the 2014-2020 period, the city of Rotterdam receives ESF and ERDF funding under the priority axes innovation, low-carbon economy, employment and labour mobility, and investment climate. The la-

belled part of the resources (15.2 M) flows into regional cooperation, while the other (21.9 M) is reserved for direct investment via the ITI scheme. The spatial focus within ITI lies completely with the area covering the *Nationaal Programma Rotterdam Zuid*, thus with Feijenoord, Charlois, and IJsselmode, and the *Stadshavens* area. More specifically, three ERDF priority axes (low-carbon economy, labour market matching and investment in work locations; comprising 12.7 M) and one ESF priority axis (employment and labour mobility; amounting to 9.2 M) make up the total amount of around 22 M within the ITI.

5.2 Evidence of ESIF funding in Leipzig and Rotterdam

Divercities reports yield only anecdotal evidence on the degree of EU structural funding in cities, as the objective of the research project is to investigate the local diversity discourses and policies, not the extent or determinants of external funding. The evidence from the *Divercities* focus areas – the Inner East and Grünau in Leipzig and Feijenoord in Rotterdam – indicate that local actors do make, albeit heterogeneously, use of ESIF to address socio-spatial diversity. This section provides an overview of the type and quality of ESIF investment in the cities of Leipzig and Rotterdam in the past years.[31]

An overarching theme in the funding of diversity-related initiatives is the lack of long-term secure and sufficient financing for many projects, which applies to all sorts of public funding, be it provided by the EU, the federal state, or the state/province. This concern features very prominently in Leipzig (Grossmann, Haase, Kullmann, Hedtke, & Einert, 2014). After the collapse of the GDR, the city needed to save and restore its run-down physical and economic infrastructure and had to mitigate the negative effects this economic climate had exerted on the population development (ibid.). Thus, the formerly socialist German regions were supported by different national financial solidarity and redistribution schemes from 1990 onwards, which are still in place today.

As Leipzig was considered to be a *convergence region* during ESIF programming periods until 2007, it received considerable amounts of EU money. Brochures published by the city wrapping up the two funding periods 2000-2006 (Stadt Leipzig, 2007) and 2007-2013 (Stadt Leipzig, 2015a) account for this. For the period 2014-

[31] Naturally, there is a better knowledge base for projects which have been initiated in the 2007-2013 ESIF programming period, as the funding allocation for specific projects within the current 2014-2020 period has only started or is in the process of getting started as of July 2016. The insights from the interviews, presented in section 5.3, reveal the most recent allocation of funding as far as it is decided on already.

2020, however, the picture has changed. The Leipzig region is no longer considered a *phasing-out region* – a status it had during the 2007-2013 period because it surmounted the 75% of EU averaged GDP p.c. threshold merely due to the 2004 and 2007 accessions of poorer states. Concerning financial support, this means that the Leipzig region, including the city, is eligible for funding within all priority axes defined in the two OP. It does, however, receive a smaller amount than the *transition regions* Saxon Chemnitz and Dresden (Freistaat Sachsen, 2014a).[32]

Among the city departments in Leipzig, the department for urban renewal and housing promotion (ASW) mainly works with the spatially operant EU funds. Leipzig West was a participant in URBAN II between 2001 and 2008, which allowed for investments in a wide array of fields of action like "[d]eveloping companies and jobs", "[r]einforcement of local identity and neighbourhood solidarity", and "[s]ocio-cultural and leisure infrastructure" (European Commission, 2011a) being endowed with 14.5 M.[33] During the 2007-2013 period, Leipzig made use of a number of ESIF-supported schemes in order to invest in the physical infrastructure and in human capital of its inhabitants. The intervention in the area along the Eisenbahn street in Leipzig East entailed a total investment volume of almost 6.2 M from 2009-2015 in line with the ERDF urban development scheme (Stadt Leipzig, 2015a). This scheme also applied in Leipzig West. The ESF mostly operated via the *BIWAQ*[34] scheme in Leipzig East and in Grünau, comprising projects geared towards local economy promotion and labour market (re-)integration measures for the local population (Stadt Leipzig, 2015a). In the current programming period, the Schönefeld and the Leipzig West districts receive funding from the regionally administered ESF. Leipzig East also receives federal ESF money via *BIWAQ*. Leipzig East and West continue to be the profiteers of the regionally administered urban development ERDF resources.

[32] There was a considerable political brouhaha regarding the new categorisation, especially as only Leipzig among the three Saxon regions was considered *more developed*, while surpassing the 90 percent threshold only by a hair's breadth. Eventually, the Free State included the provision in the Saxon OP that investments in the Leipzig region needed to be even stronger concentrated on a number of thematic objectives. The English summary in the ESF OP puts it like this: "Despite the fact that the three NUTS-II regions of the Land of Saxony have been categorised differently, with the region of Leipzig being one of the more developed regions and Dresden and Chemnitz being transition regions, the basic needs are considered to be congruent. In this sense, the interventions (possible actions) in the OP are generally not differentiated by types of regions. However, the varying allocation of resources to the specific interventions reflects the different development situations" (Freistaat Sachsen (2014b), p. 14).

[33] The city of Leipzig also participated in a number of EU projects recently, of which *EPOurban* (Enabling Private Owners of Residential Buildings to Integrate them into Urban Restructuring Processes, running from 2011 to 2014 and financed by INTERREG and *CSI Europe* (City Sustainable Investment in Europe, financed by URBACT, running from 2013 to 2015) (Stadt Leipzig, 2015a) deserve attention, as they were geared towards urban development issues. The specific aim for Leipzig pursued by *CSI Europe* was to establish a locally led revolving fund model building upon the existing JESSICA scheme, which financed the canal breakthrough at *Lindenauer Hafen*.

[34] BIWAQ stands for *Bildung, Wirtschaft, Arbeit im Quartier* (education, economy, labour in the neighbourhood) and is an ESF-cofinanced funding scheme provided by the German federal state.

Also in Rotterdam, many projects on the ground suffer from insufficient resource endowment, exacerbated by the fact that “public subsidies for local initiatives are structurally declining in the Netherlands” (Tersteeg, Bolt, & van Kempen, 2014). According to the Rotterdam evidence in *Divercities*, besides resources stemming from public-private partnerships, national and municipal budgets, EU funding plays a somewhat less pronounced role in the financing of community initiatives targeted at diversity. The report says nothing about the city-wide use of the EU funds by the municipality. The region around Rotterdam has never been considered a *less developed region* by European cohesion policy, as the whole of the Netherlands received funding only for the *regional competitiveness and employment* goal and for *European Territorial Cooperation* (The European Communities, 2007). Subsequently, the amount of funding and of EU co-financing was smaller than what parts of Germany received and still receive (European Commission, 2015a).

Still, the region and the city of Rotterdam is a beneficiary of structural funding. Rotterdam has been a participant in the URBAN II scheme from 2000-2006. The investment in Rotterdam was worth a total of 24 M, which were channelled to the three districts *Oude Noorden*, *De Agniesebuurt* and *Het Liskwartier* in the north of the city for "[i]mproving the physical business environment", "building networks between firms, promoting the area reputation as a good business location and providing training to disadvantaged groups", and "improving the safety and the environment of the area and stimulating social and economic participation" (European Commission, 2011b). Still before, the *Kop van Zuid* area received funding worth 2.6 M ECU from the Urban Pilot Projects for SME development from 1990-1993 (European Commission, 2015b; European Communities, 1998). In 2007-2013, the ERDF funding available for Rotterdam was around 50 M, with 30 M for direct investment in the city and 20 M for indirect investment going to regional cooperation (Oskam & van Veelen, 2008). Some larger-scale infrastructure projects, like the renovation and upscaling of the *Nieuwe Binnenweg* shopping street, *inter alia* to combat retail space abandonment, were co-financed by ERDF during that period (EUKN, 2011). The full list of ERDF-funded projects is retrievable online (Kansen voor West, n.d.). In the current programming period, the ESIF money for Rotterdam is channelled to education and social innovation (within ESF, where Rotterdam receives a share of the funding available for the Rijnmond labour market region), regional cooperation (within ERDF) and to the Rotterdam South-based ITI scheme (funded from ERDF and ESF).

5.3 Expert interview analysis: local actors' perspective on the role for EU funding in diversity governance

This section forms the heart of the empirical analysis. It presents evidence from the interviews which can help create hypotheses based on the broader assumptions stated earlier, which hold that 1) actors' motivation and capacity to use EU funds, operating at the local level, 2) the institutional framework conditions concerning relations with other levels of government, and 3) the degree of fit of ESIF provisions for diversity-related challenges on the ground constitute the main determinants.

On a general note, the relevance of EU structural funds for urban development and hence also for urban diversity governance differs considerably between the two studied contexts. In Leipzig, for the two long-standing focus areas Leipzig East and Leipzig West, the use of EU structural funds has made and continues to make a real difference in the urban resource endowment, due to the volume and favourable (fund-specific) co-financing rates of up to 95 percent. The funds also shaped institutional structures and approaches to urban governance in the past, especially through the URBAN II scheme. This observation does not hold for Rotterdam, where ERDF and ESF money is seen as an additional resource that plays a meagre role in the overall resource endowment of the city. For both contexts, the areas targeted by ESIF resources are limited in size. Concerning Leipzig, it is a conscious decision to direct the biggest share of resources from ERDF's and ESF's urban development axes to the *deprived* inner city areas Leipzig East and Leipzig West. Within the ITI instrument, Rotterdam has decided to channel a substantial share of the ESF and the ERDF resources to the NPRZ area, which operates only the south of the city.

All in all, it shows that the content, but also the politics, of ESIF management in cities impacts on how these funds are channelled to measures that can be seen as part of the urban diversity governance, as it is described above. The following sections put the evidence gained via the expert interviews into perspective against the backdrop of the three factor sets defined earlier. Chapter 5.3.1 discusses the role of local actors' motivation and capacities. Subsequently, section 5.3.2 deals with the impact of institutional dynamics and set-ups in structural fund management. Thirdly, section 5.3.3 addresses the EU funding objectives' design and the impact this has on the way local actors can address diversity-related issues in urban governance. A discussion is presented in section 5.4, and section 5.5 formulates the condensed findings as a set of hypotheses for future research.

5.3.1 Assessment of 'local diversity challenges' in Leipzig and Rotterdam

This part provides a brief assessment of the types of contemporary urban diversity challenges and their connection to ESIF use in the current period as they arise from the interviews, laying down the framework conditions for potential ESIF use. The situations in Leipzig and Rotterdam turn out to be very unique in terms of the meaning of diversity and the ways of addressing it in policy practice.

In Leipzig, ESIF have been applied with a strong area-based focus for more than 15 years – with Leipzig East and Leipzig West being the long-standing foci for intervention.[35] Emphasis is put on the deprivation on the areas, on weak socio-economic indicators exhibited by the local population, and on the need to engage in integrated approaches to upgrading the quality of public spaces, infrastructure, and of people's human capital. Still, due to the programmes' successes and the economic regeneration in parts of the targeted areas, increasing socio-spatial differentiation leads to the assessment that the future should provide targeted solutions for other, yet to be defined, areas. Both for ERDF and ESF, the city of Leipzig is an applicant for funding with the competent Managing Authorities on Saxon State level. Rotterdam also employs an area focus, namely on Rotterdam South, but the overall narrative is less coined by deprivation and more by the need to support the area and its people in catching up with the rest of the city by targeting specific sectors and people, and by creating social mix through targeted upscaling of Rotterdam South. As learnt from R-aca, the segregation between the south bank and the rest of Rotterdam is immense, and the main problems arise from the neglect of the housing stock, resulting in low-price housing, which attracted people with low socio-economic status. Apart from the investment in the south, largely performed by local housing companies (who traditionally own a large share of the housing stock in the Netherlands) the educational sector plays a prominent role. As elucidated by R-aca, the main diversity-related investments in Rotterdam reach the education sector and decreasingly target social cohesion measures. Within ESF, the main focus is to foster innovation in the education sector and to provide opportunities for local education institutions and employers to build up networks for providing a better infrastructure for job-seeking youth in Rotterdam South. The two focus areas within ERDF are regional co-operation and the Rotterdam South-based ITI. Rotterdam is not (any more) a direct applicant for ERDF, while the ERDF Managing Authority is located within the Rotterdam city administration.

[35] This does by no means imply that no ESIF money has reached other parts of the city. The streamlining and focused channeling of ESIF to the mentioned areas comprised the bulk of investment, though, especially concerning diversity-related measures that tackle the multi-faceted backlog these areas have.

5.3.2 Local drivers: preferences and capacities

The motivational factors proposed by Wolffhardt et al. (2005) are made up of local actors' perceptions of the opportunities or constraints the EU opens up for them (p. 94-97), while the intermediate factors entail political choice, administrative capacities, and domestic legal and constitutional contexts (p. 97-98). This section presents and synthesises the motivational and capacity-related aspects concerning structural fund use that local actors utter during the interviews.[36]

The **motivation** of both city administrations to get engaged with structural funds exists with different manifestations. Whereas in Leipzig, the long-standing importance of ESIF in area development and in measures targeting social cohesion, social mobility, and local economy, is very much praised and acknowledged, in Rotterdam, *"if more than five people in our city administration know what an ITI is, then one of them is lying"* (R-SF2). This quote is a somewhat ironic representation of the relevance assigned to structural funds in Rotterdam, but as shown below, the relevance of EU funding is indeed diverse for a variety of reasons.

The actors evaluate their position within the EU polity, and specifically in structural funds, in a differentiated yet proactive way. In both cities, actors know the limits to their (lobbying) activities quite clearly, but the confidence to being able to shape the Brussels agenda is present – and it seems more pronounced in Rotterdam. The people in charge of EU affairs (L-EU and R-EU) maintain a professional and friendly relationship with EU officials, be they from the EP, the Commission, or from other bodies. Leipzig staff members in charge of fund coordination and management on the ground are less directly in contact with EU levels, but the communication works via the intermediate levels of government, mostly the Saxon State. Concerning the future of EU structural funding, the positions can be summarised as follows. In Rotterdam, the future of funding urban development is seen in a more business-oriented fashion, with revolving financial instruments gaining ground next to subsidy-based schemes. In Leipzig, which is experiencing the change in categorisation as a *more developed region*, actors are aware that the future resource endowment will bear considerable dynamics, which might go hand in hand with a change in strategy, more geared towards competition. Thus, all in all, one might assert that for Leipzig, the EU (as a grant provider in a financially tightly stretched environment) represents

[36] Parts of Wolffhardt's et al. (2005) definition of intermediate factors flows into the presentation of the institutional context in section 5.3.3. Isolating the motivation or preference sets of cities from framework conditions is difficult, as the institutional and procedural environment often determines the boundaries of the preferences local actors can 'afford' to have. Still the sections below differentiate between the institutional context, the regulative framework and locally embedded motivational and capacity-related factors from the interviews as analytically distinct.

a problem solver, whereas for Rotterdam, it qualifies more as an alternative (to national narratives of having to cut costs). For none of the cities, at least in structural funds, the perception of the EU as a duty, a stage, or a threat seems justified.

In terms of capacity, the heaviest impact on the relevance the funds can have in the urban contexts for diversity governance and urban governance in general is **financial capacity**. From interviews conducted in both cities emerged the insight that the **local economic conditions and developments** in terms of financial opportunities impact massively on the room for any (externally funded) policy development. In Leipzig, the repercussions of the recently re-established functioning of a competitive local housing market literally eat up many of the former achievements from local actors' points of view. An intermediary actor in Leipzig West illustrates this:

"During times of void, these funding programmes had a completely different impact, just because there was room and opportunities to try out things, and also because many real estate owners were so desperate, because nothing happened, you could just do things. Now the market functions normally again and all opportunity spaces, or most of them, are lost. And I mean opportunity spaces in the concrete sense, really buildings and areas, but also in thinking" (Le-W1.2).

The relevance of external funding from an array of source gains concreteness if one recalls or imagines the situation of Leipzig's urban public space around the German reunification, which was marked by decay and shrinkage, which in turn impacted on the employment situation especially in the areas that are now target areas for EU funding. L-EU provides a vivid description:

"If you saw the development, what kinds of industrial sites and industrial jobs Leipzig had before 1990, and how it looked afterwards, in the mid-90s, it is completely clear that (...) making these big urban spaces liveable for the population again and (...) to try to get sustainable development in there (...). This was an urban political necessity every local politician immediately saw when being in Leipzig East or Leipzig West at that time. (...) And of course all opportunities needed to be taken up for this, (...) not only federal resources, (...) but there also needed to be the attempt to use the opportunities the EU opens up, and we did that from the beginning".

Even today, after the city of Leipzig has seen considerable re-growth, there seems to be a necessity of a variety of funding schemes to realise measures in the targeted areas – which are, by definition, so-called *deprived areas*, as theirs status of deprivation is the main precondition for eligibility in the first place, according to the Saxon OP. Le-O1 lists all the "*more and more diverse programmes we work with ourselves"* in Leipzig East: *Soziale Stadt*, *Stadtumbau Ost*, *BIWAQ*, ERDF, *NPS*, *Ex-*

WoSt[37], and foundation and private resources. All in all, *"it is a huge mix (...), which has intensified during the past years (...) because we cover more and more fields of action. Previously, we neatly only dealt with houses and streets and green spaces (...) and due to the widening of the tasks with this integrated approach, increasingly more programmes (...) are coming"*.

In Rotterdam, according to R-EU, the position of the municipality forcibly changed due to budget cuts from being a provider to being a manager and facilitator, as R-EU puts it: *"We changed our way of working. (...) we try to get private developments into the city, get the locals, NGOs, to take up a bigger task, rather than the city takes care of everything. (...) We have no money to do it with".* Increasing decentralisation and budget cuts for the local level in conjunction with the relatively sharp crisis impact determine how the city uses new tools and governance arrangements, supported *inter alia* with ESIF resources. R-SF1 further illustrates this:

"With regard to financial instruments in the social domain, the crisis hit us hard and hit us first. (...). So with the crisis there are more people in need of reintegration, but the budget on reintegration was reduced, there were more people on income support, and we did not and still don't have enough funds from national level to provide all the income support. (...). So we had to develop new ways of looking into still providing social services in the future with less money".

Local actors in Rotterdam are increasingly urged to justify their investment decisions via a business case, i.e. to make urban development a profitable exercise:

"The type of interventions we got from the ERDF first period, we can't do those projects any more. Not even with our own money because we don't have any own money left. So we are going to a period where everything you do will be based upon a business case, and that doesn't do right to what you need in a local sustainable urban development" (R-SF2).

In the current funding period, the Commission promotes financial instruments in urban development, which can inter alia be employed in combination with an ITI. The attitudes and opinions of local actors in Leipzig and Rotterdam on this topic could not be more different. Rotterdam's structural fund experts have embraced the idea of revolving funds and have installed urban development funds years ago already, and they believe that *"we don't have to prepare for subsidies, we can work with sub-*

[37] *Soziale Stadt* is a German federal programme in place since 1999, which channels federal resources to neighbourhoods with specific needs and disadvantages. *Stadtumbau Ost* is a programme financed by the federal state and the states (regions) employed in the East of Germany since 2002 to manage urban economic and demographic restructuring processes. It will run until 2016. *NPS* stands for *Nationale Projekte des Städtebaus* (national projects of urban construction). *ExWoSt* stands for *Experimenteller Wohnungs- und Städtebau*, (experimental residential and urban construction). *NPS* and *ExWoSt* are federally funded schemes targeted at urban planning and constructing innovations.

sidies. But we need to be prepared for revolving funds" (R-SF2). Stakeholders in Leipzig are partly rather sceptic about such instruments, even if there are pragmatic voices, too. In Leipzig, the evaluation of Le-W2 is especially critical concerning the compatibility with public finances and the fear that financial instruments provide an overly high sphere of influence for financial institutions. Le-EU, on the other hand, believes that the future will be in the mix between subsidies and financial instruments, despite the existing opposition by the Saxon government. Le-O2 points to the fact that the political will both on the municipality's and the regional level is lacking in terms of revolving urban development funds for a number of reasons, one of them being a perceived lack of suitable and potentially profitable projects, and the other being the economic and financial context, more concretely the low-interest policy, which has made financial instruments redundant for a number of projects.

5.3.3 The impact of institutional framework conditions

With regard to the institutional interplay, the case selection is interesting insofar as the type of institutional arrangement differs greatly in the two studied contexts. The main difference is that the ERDF Managing Authority is located within the Rotterdam administration. These employees are, according to R-SF2, perceived as somewhat external, but still, social ties are upheld via a small number of knowledgeable municipal employees. For ESF administration, the Managing Authority is located within the *Agentschap SWZ*, an agency responsible to the Dutch Ministry of Social Affairs. In contrast, the city of Leipzig depends on decisions taken at the Free State level, namely the Saxon Ministries of the Interior and of Economic Affairs and Labour, where the Managing Authorities for ERDF and ESF sit. Also, ESF money from the federal level plays a role, which is administered by the national Ministry for Environment and Housing. Even though there has been some movement in the participation structure concerning the OP-drafting process in Saxony, the partnership principle is, according to almost all Leipzig interview partners, far from being effectively working in this state. The actors interviewed speaking for Rotterdam are fully aware of their specific situation regarding having an 'in-house' Managing Authority. This is even known in the Leipzig city administration.[38] The close **connections to the Managing Authority** are one aspect, while the **connections with the entities officially responsible for submitting the OP** – the Ministry for Economic Affairs for ERDF and the Ministry of Social Affairs for ESF – is another. R-SF1 gets at the heart of it:

[38] Le-O2 confirms this based on exchange with colleagues from The Hague she worked with in a project concerning urban development funds, where she gained the impression that the leeway for Rotterdam and The Hague was quite big due to the position of the Managing Authority in Rotterdam.

"It's always the level that drafts the OP or that actually writes the OP that is most dominant in any type of problem or solution".

Rotterdam's possibility to influence the OP content becomes manifest with regard to the regional cooperation between the Province of South Holland and the cities of The Hague and Rotterdam – which are all covered by the Western Netherlands OP. This co-operation, very much promoted by the partners, has been smartly woven into the OP by the actual drafters in the Rotterdam administration – by setting the conditions in a way "*was dedicated in how to get this money from the OP in most effective place for further regional economic development"*.

Concerning the ESF, the leeway for the Rotterdam administration is different because the institutional set-up works differently, with the *Agentschap SZW* acting as Managing Authority and the Dutch Ministry of Social Affairs and Employment being responsible for the OP. The city of Rotterdam acts as a usual applicant and also as a facilitator supporting *"the different cities in the labour market region [of Rijnmond] and also for different stakeholders, mainly the educational sector for the lower attainment levels for kids with difficulties, varying from physical difficulties and mental difficulties, social difficulties"* (R-SF1).

The interviews with Leipzig representatives exemplify the relevance of Leipzig's **relations with the regional level**. The Free State of Saxony, mostly represented by the Saxon Ministry of the Interior, is the prominent ERDF OP drafting body and it serves as Managing Authority. For Saxon ESF resources, the Ministry of Economic and Social Affairs is Managing Authority and OP drafter. Concerning the federally organised ESF money, the federal Ministry responsible for the ESF-funded programmes like BIWAQ is the crucial entity. In general, the criticism voiced by many actors on city level concerning the behaviour of the Free State in living up to the partnership principle, is quite harsh. To put this in perspective, Le-O1 points to the fact that in the Free State also faces restrictions, too, by having to cater to all its cities, towns and regions, among which Leipzig is a very peculiar case: *"Leipzig is something very special after all. Because of the growth, but also the incipient segregation, due to these heterogeneous districts".*

Le-W2, who is also ambivalent concerning the role of the Free State, explains that the consultation process for the current ESIF framework worked somewhat differently than before, with the Saxon Ministry of the Interior trying to involve the cities at an earlier stage and via a round of workshops, which were held at a point when the OP was still in draft stage. Interestingly, though, for one of the biggest projects to be pursued in the current programming period in Leipzig West, the driving forces were local energy suppliers who teamed up with the Saxon State government to install

plans for a local heat infrastructure. The city was, as Le-W2 explains, rather surprised about this foray, and eventually joined the plan *"for the purpose of making the resources available imminently"*.

The main institutional obstacle for the city of Rotterdam for obtaining structural funds in the first place, is the **position of the national government**. This is due to a strong narrative which has evolved during the past years in the Dutch political discourse of the EU being inefficient and costly and the budget being spent on the wrong priorities. This led to an overall rejection of cohesion policy and structural funding by the national government. Thus, exacerbated by declining budgets, regions and cities needed to make additional effort to ensure eligibility for funding according to their own priorities. As R-SF2 puts it: *"They [the Dutch Ministry of Economic Affairs] live in a different world. They lived in the world at that time that they don't like European public money (...). So (...) they were not in favour of us writing Operational Programmes because they had a political priority to lower the EU budget"*. R-EU confirms this when describing the tensions the West Netherlands region and in particular the city of Rotterdam had with the national government when trying to establish the programmes in the first place:

"The real problem this period was the national level, because they didn't want regional programmes. They didn't want money, when the money was there, they wanted to have a national programme. So basically we have been struggling with the other three Operational Programmes from ERDF with the national government to ensure that there was actually regional programmes rather than one national programme, run by the Ministry on a first-come-first-served-base".

Eventually, due to quarrels between the advantage the city has vis-à-vis the negotiation partners is that due to the competence it has acquired during the course of the years and the ongoing decentralisation the Dutch state has seen, the urban-level ownership of the regional ERDF programme is very pronounced: *"Let's face it, there's nobody at national government that has a clue about it. It's not a national policy any more. And of course national government has to negotiate in Brussels, but they're not responsible for this, we are"* (R-EU).

Concerning the power of semantics, the Dutch case is a vivid example of how strong policy narratives shape the way ESIF can be used in urban contexts. Unlike with the ERDF, where the focus on innovation and valorisation seems to be working well for the OP-drafters, R-SF1 exemplifies the narrow scope for ESF arising from the prevailing Dutch domestic semantics of justification of cost, of not de-committing any resources, and of reintegration: *"ESF in the Netherlands – it's all about reintegration. (...) It's not about food banks or whatever, it's just getting people a job"*. Still, this

narrow focus is no full-blown obstacle for the city to make ESF resources work within contexts and projects they deem necessary. The difficulty, or challenge, for ESF-concerned staff is rather how to make smart use of the ESF semantic corset while still providing the opportunity for favoured measures to be realisable within the existing framework. As R-SF1 explains, in the ESF realm, there is autonomy within semantic boundaries for the municipal staff: *"In drafting the Operational Programme, we had a set of preconditions: it needs to be focused on reintegration and it needs to be easily justifiable. Alright, we'll run with it"*.

R-EU sums up the negotiation and co-operation style pursued by the competent people in structural fund and cohesion policy management. The political culture in the Netherlands, summed up by the term *poldermodel*, is, according to R-EU, very visible in the way the Rotterdam co-operates with *"not only local-regional government, local-national government, but also with the private sector, with pension funds, in all types of cooperation, how we can bring further our development, our economy, our social issues"*.

Apart from the often tensed relations with the 'higher' levels of government – the national level in the Netherlands and the regional level in Germany, the **connections to the EU level** deserve attention. As mentioned above, both Leipzig and Rotterdam have strong working relations with representatives on the EU level and with partner cities all over Europe. The manifold connections, especially via *Eurocities*, are relevant for lobbying activities concerning the design of structural funds, too. Le-O1 describes the EU-level information activities concerning structural funds to be most intense "*when you hear a programme is about to be launched."* Le-O1 describes the contacts between the heads of city departments with Members of the European Parliament and via European city network as, all in all, *"really more like an informal chain".* Le-EU elucidates that the *Eurocities* network is the most valuable forum for EU lobbying, because *"it is a network of cities really. It is no representative body of a representative body (...). And that makes the* Eurocities *network so interesting for the European institutions."* These networking opportunities, then, were also used during the efforts in the mid-2000s, when the city of Leipzig was engaged in fostering the mainstreaming of the URBAN schemes into the general cohesion policy framework because URBAN *"was very limited to a small number of cities Europe-wide (...) and then the cities were subjected to the selection criteria of their own governments"* (Le-EU).

With regard to the cohesion policy negotiations, R-EU explains that the city of Rotterdam tries to get its priorities on the Commission's radar even before the broad guidelines for cohesion policy are published: "*And we do that on a large scale (...),*

we say, this is tackling the social divide in cities, this is about climate adaptation, these are the main issues we have to focus on, where we think the priorities should be, which are of course urban issues". In general, city representatives seem to be happy with the type of communication with the Commission, and they also feel a genuine Commission interest concerning conditions helping to strengthen the urban dimension in cohesion policy. Critique of the European Commission is only voiced regarding procedural quarrels around ITI, which left Rotterdam in suspense on how the Commission actually imagined this instrument to be designed, and *"even today the Commission is working on guidance notes when programmes already run for a year and a half now"* (R-EU). For actors in Leipzig working in the departments dealing with fund allocation to the specific areas, the EU or the Commission is not a tangible partner, but seems more as a distant entity dictating the basic rules of the game. It is rather the heads of departments, which were not interviewed for this thesis, and of course the people responsible for EU networks and EU affairs, who take care of direct contacts with the European level.

Lastly, a **direct funding of urban actions by the EU**, as it was possible within the Community Initiatives like URBAN, is evaluated very positively, especially by Leipzig actors. Both Le-O and Le-W1.2 say they hope for such a possibility to be revived. Others, then, such as Le-W2, believe there is no point in hoping for this as the position of the member states vis-à-vis the European level seems to be increasingly following the idea *"please do not directly interfere with our territorial authority, not by providing subsidies there without us, either"*. The new tools provided in the current framework, the UIA, build upon the concept of direct support for a very small number of project. It is exactly this design that makes actors like R-EU and L-O1 quite sceptical about it, because they see it as an additional structure that only few projects can profit from, while *"the only thing which you resolve by that is you (...) have specific funding for cities, and in the end result, you have a lot of people disappointed – that doesn't help either"* (R-EU). For Le-O1, small-scale interventions like UIA do not go beyond *"doing projects"* instead of well-planned urban development.

5.3.4 The fit of ESIF design with local needs in targeted areas

The interview evidence shows that the volume and the content of EU funding schemes does matter, especially as the change leading up to the current 2014-2020 period entailed a streamlining and concentration effort. Hereby, the **volume, the financial regulations and provisions, such as co-financing rates, and the contents of the funds** form an inseparable combination of meaningful determinants of

what can be done with the funds in urban diversity governance. Besides the EU rules and regulations, the **general fit of *all* existing funding possibilities** and the opportunities for local actors to make use of the array of options available determines the usability of external funding for specific tasks on the local level. For the actors working with all sorts of funds professionally, what matters is how the different funding opportunities complement each other and what funding mix is available for the targeted – often by definition *deprived* – areas.

Another important note to add is that the impact of ESIF on the ground is limited by design, as the additionality and complementarity principles to a certain degree rule out a local policy approach that fundamentally and encompassingly builds upon EU funding. In contrast, the ESIF support can only very selectively target delimited areas, giving rise to policies that are incremental in nature. Especially concerning diversity governance, which is a highly complex field in itself – as diversity is a cross-cutting issues addressable in a wide range of policies – EU funding can by definition only work supportively and additionally to the domestic arrangements.

Concerning the empirical evidence, ERDF (mainly for investment- and infrastructure-related projects) and ESF (mainly for human capital amelioration and reintegration) have been and continue to be used in Leipzig and Rotterdam. The **overall resource endowment** provided by the funds matters differently in the two contexts. In Leipzig, actors needed to realise within the past years that they were eligible for a way smaller amount of funding than they had applied for, which was due to the categorisation as a *more developed region*. Looking back on the period in the early 2000s, when the Leipzig West area received almost 15 M via URBAN II, Le-W1.2 states: *"URBAN had so incredibly much money, this is something we can only dream of today"*. Still, even today, the city still enjoys enormously favourable co-financing rates, which is praised by many interview partners, but going hand in hand with the assertion that these high co-financing rates are absolutely essential as the city otherwise could not finance the measures, even if there was some ESIF support. Among the Leipzig actors, there is a sense of both hope and realism for future developments. They foresee that external funding from EU, region, and federal state will not cease to exist because the problems of the city will not be solved in 2020.

In Rotterdam, the small numeric significance of the EU funds curtails the impact the resources can have: *"I mean, you have to take it seriously, but I think for Rotterdam we have maybe 28 million for seven years. That's a lot of money, but it's also not a lot of money. (...) I think we have a city budget of four billion a year in costs, it's just not comparable"* (R-SF2). This limited significance reflects in the degree of

knowledge the body of municipal staff has on related instruments like ITI: *"As an instrument in urban development, I don't think this is the next big thing for a lot of people. But it's a big thing for a small number of people"* (R-SF2). Still, the European structural fund money, despite its overall limited significance, is used widely to cover costs that are not provided for by any budget in Rotterdam. For the south of the city, because *"there is no fixed budget available for Rotterdam South (...), what we (...) tried to do with this funding (...), we try to kick-start developments"* (R-EU). R-SF2 puts it like this: *"[ITI] forces you to focus on where money is needed most".*

Thus, the design of EU funding matters with regard to the overall volume available for cities, but also the content-wise leeway the rules allow for. Le-EU relates this to the concentration efforts in the current period: *"It is so tightly knit that there are only thematic priorities left, which are targeted at two or three goals, and where then again this integrated approach and the things we actually need are not possible"*. Interestingly, while the volume (and the co-financing rates) are highly relevant for both cities, the **content-related prioritisation of certain objectives** is mostly criticised by actors in Leipzig. They feel that the current ERDF guidelines have become narrow and that there used to be greater leeway for genuine integrated urban development programmes. Le-W2 puts it like this:

"Basically what we have now is a funding guideline geared towards CO_2 reduction with an overly high prioritisation, so it is only partially an integrated urban development programme any more, like it used to be for example in the last funding period. Basically it is an infrastructure programme with the focus on CO_2 reduction".

Le-W1.1 supports this critical stance concerning the usability of ESIF for measures targeting not only the areas, but also the people within the areas who need extra support. The terminology used by Le-W1.1 is telling insofar as the phrase *"the ERDF years"* refers exclusively to the period 2007-2013, because this ERDF scheme for urban development was at the time perceived as a quite encompassing urban development programme. The period of 2000-2006 is referred to as *"the URBAN times"*. The current funding period is, both on the municipality's and on intermediaries' side, still viewed with scepticism concerning its potential impact and its compatibility with the former integrated urban development approaches, which were fostered mainly by the structural funds. With a view to diversity governance, Le-W1.1 illustrates the decreasing possibilities to make use of the urban development schemes in the most impactful way.

"I feel that with the new ERDF period, there will be a funding of small enterprises, but that this will look differently, and just reading the key words: energy efficiency

and supply and disposal, this seems to go into a very technical direction. And if, in our colourful borough, also concerning innovation, well, if anything will reach the people we have in mind, is something I do not see yet" (Le-W1.1).

There is, at least from the perspective of all three Leipzig West representatives, a clear perception that over the course of time, the capacity of the structural funds to provide integrated urban development structures and measures decreased substantially, which they directly relate to the degree to which diversity-related measures could be addressed. The significance of URBAN II for Leipzig West, but also city-wide, is very pronounced in talks with everyone who has directly or indirectly witnessed the impact of the programme in the early 2000s. As Le-EU sums up: *"At the time, integrated urban development was something new (...). The administration and the funding, also Germany-wide, was pillarised. (...) So this was successfully fostered by URBAN".*

All in all, Leipzig West actors keep recurring to the former funding periods, when the resource endowment and the possibility to fund consistent structures like an area management within an integrated approach to area development was possible. They deem this massively influential for the development of the borough, which faced massive economic and social restructuring during the 1990s and 2000s. The interviews also yield that certain diversity-related interventions, like local economy support structures, are increasingly difficult to finance within the existing framework. The actors feel forced to maintain integrated structures that used to be financed in their entirety. The broad usability of the funds is confirmed for Leipzig East as well, where the use started with ERDF resources in 2000. Le-O1 talks about how the 2007-2013 period managed to provide a wide array of measures:

"We could finance infrastructure measures such as the big Rabet [a public park] (...), cultural measures, (...), job-creating measures in the public space, (...), and we also had investment support for SME. So the whole range. With every tender, the Free State made the range of funding smaller and smaller, so that now (...) we can only finance infrastructure measures, so CO_2 reduction and a scheme for small enterprises. There are no measures any more in the non-investment-related realm".

Based on the assessment what used to be possible with the funds, Le-O1 clarifies the existing blank spaces for diversity-related measures in Leipzig East as follows:

"The problem here is that Leipzig East is the district with the most migrants all over Saxony. There are no area-based resources to support measures or projects targeting integration. We used to have this in the beginning of the ERDF 2007, where we had (...) multilingual counselling and so forth, and worked a lot with native speakers,

but also went in the economic direction. (...) These are the biggest gaps, concerning integration, concerning reduction of social disadvantages. These soft things you can really develop out of the area for the area, in order for it to really fit".

For Rotterdam officials, rather than the content-wise funding objective design, it seems to matter more how the national discourse frames and thus curtails the room for manoeuvre of local actors in terms of use of the funds for specific purposes, as addressed above. The focus of the ERDF on CO_2 reduction and adaptability is, unlike in Leipzig, strongly supported by the local actors interviewed for Rotterdam, as it aligns with local policy priorities – which are mostly about resilience, climate adaptation, and social innovation.

Another important aspect is **intra-ESIF complementarity**, thus the possibility to combine ESF and ERDF sensibly. With a view to diversity governance in Rotterdam, the structural funds lack compatibility on the ground in several ways. First, the misfit between fund eligibility and action needed in the target area, Rotterdam South, mainly appears for a certain target group. This group comprises youth in Rotterdam South still in school who do not opt for the growth sectors around the harbour to the degree that the municipality thinks would be beneficial for them and for the booming harbour economy. This situation makes municipal officials and politicians worry that those youth might be the next generation of unemployed youngsters in the city. The void, which R-SF2 calls "*the biggest challenge we have" is* not covered by the structural funds, and this is why Rotterdam tries to use another EU funding tool here, the Urban Innovative Action scheme: *"[T]his is one of the things we really need because we are so diverse, because we are so relatively poor, uneducated (…), but we can't fund it from ESF and we can't fund it from ERDF"* (R-SF2).

As addressed in section 2.1, the current funding period officially allows for a combination of ERDF and ESF to help better target *deprived urban areas*. R-SF1 explains that *"Rotterdam South has very poor socio-economic indicators (…) and it has lots of challenges with regard to housing for instance, which then again has very poor connection to ESF. And it's about much more money than ESF".* According to R-SF1, the possibility to combine the funds within an ITI plus the existence of the NPRZ were the main reasons for Rotterdam to suggest an ITI for this area. Then again, the real-life complementarity of the funds within ITI – the ability to combine and use funds in the target area of the NPRZ – is not yet fully worked out in Rotterdam. As R-SF2 admits, *"in practice this does not mean a huge amount at the moment, so you can't submit an integrated project".* R-EU points to the fact that despite the lacking real-life complementarity, the ITI is the most secure way of channelling the ERDF and ESF to Rotterdam South in the first place.

Despite the described lack of workable integration of ESF and ERDF within the ITI in the current period, Rotterdam deems this instrument helpful, as it opens up the possibility to integrate subsidy-based and more market-based tools like revolving funds and to eventually generate profit from a part of these interventions, which feed into an urban development fund. Within the ITI effective in Rotterdam South since the current funding period, there are three types of addressable objectives: labour market mismatch, low-carbon investment, and work locations. R-SF2 explains how the city sees the role of revolving funds and loans versus subsidy-based interventions:

"[The] mismatch priority needs to be subsidy-based because you have social stakeholders who will make costs for narrowing the mismatch on the labour market and this can never be a profitable exercise. You need to make costs as a society to change curricula, to change behaviour, to change ways of co-operation, so the right instrument for this type of intervention is a subsidy. (...) A low-carbon or renovation project is in theory a profitable exercise. It's not a financeable exercise because of risks and norms and local bank knowledge etc., but it asks for an intervention which is more market-oriented than just a subsidy".

Next to intra-ESIF complementarity, also the **degree of complementarity of different funding schemes** seems very decisive. In Leipzig East, due to scheme complementarity issues, the ESF is only partially useable for meaningful interventions targeting policies surrounding social cohesion, social mobility, and economic performance. Le-O1 illustrates the tricky situation concerning the flexibility of the instruments by explaining the procedural rules for the use of ESF money in Leipzig's East. It becomes clear that the inter-institutional negotiations around the allocation of available funding on various levels of government (EU, federal state, and regional level) matter greatly. The ESF in Germany is both administered on federal state and on state level, with separate Operational Programmes. Thus, for ESF money to be spent in Leipzig, it is of importance to what degree the federal and the state level agree on the distribution of the funds in specific areas. The EU shapes these negotiations by determining the complementarity of funding schemes for spatial intervention. In this case, this is about the EU-prescribed incompatibility of area-based ESF (administered by Saxony) and *Soziale Stadt* (administered by the federal state), which makes the *Soziale Stadt* area Leipzig East only eligible for ESF resources released via *BIWAQ*. Le-O1 criticises that due to the subsequent ineligibility of Leipzig East for area-based ESF and the narrow scope of the federal and *BIWAQ* scheme, the resources do not have the desired impact on the ground.

"(...) before, we were also able to address the school leavers and all those under 26 with BIWAQ*, they drop out as a target group for us now. (...) Back then, it was also*

about organising internships for pupils, to help look for apprentice positions, to support with career choices, all this is no longer possible in BIWAQ*"*.

The experts interviewed for Rotterdam do not mention any such problems of funding complementarity apart from the ITI-related issues. This does not mean, however, that such issues do not exist there. They could have been identified by talking to other staff members who are more concerned with other funding and/or specific areas.

Summing up the dissatisfaction with the way funding in its entirety works – or rather does not work – in Leipzig West, Le-W1.1 utters:

"For most of the challenges we are facing presently, from our point of view, (...) there are no funding schemes and no pieces of funding schemes that could help us in any possible way. It is about the increasingly precarious urban ecologic conditions, (...) it is about the issue how do I maintain the diversity, the spaces of opportunity (...) and so forth".

5.4 Discussion of the results

The analysis of the Cohesion Report underpins the reinforced role the Commission assigns to cities and to local authorities in cohesion policy. The OP, in turn, show that the amount and specifics of funding channelled to urban development differs between the two cases, despite earmarked shares of ESIF resources targeting urban issues. The major difference between Leipzig and Rotterdam in that regard is the deployment of ITI, which is an appreciated tool to target specific challenges in delimited areas more autonomously than the structural fund allocation usually allows for. This tool is used in Rotterdam, while the city of Leipzig could not persuade the Saxon government to include this into the OP. During the interviews, local actors' view of the Commission shows to be that of a partner to cities and an enabler rather than an antagonist. Actors do acknowledge, on the other hand, that the Commission's hands are bound when confronted with OP-drafting entities having different priorities than the urban actors.

An array of information emerges from the interviews, despite the remaining ambiguity due to the rather small size and homogeneity of the sample. The reliability of information stemming from a small number of sources is always fragile, but the present sample shows considerable coherence in its statements. Thus, the information gathered in the interviews with different professionals on city level is consistent to an extent that allows for an interpretable picture of the situation in each city. There are no contradictions in the statements that would give rise to the impression that the

insights are unreliable or biased. Still, enlarging the sample in future studies is desirable to make triangulation of the obtained insights even more robust. Much of the information is of procedural nature, and it sheds light on how the complex allocation and management of ESIF-co-financing is handled within the two cities, and the targeted city areas in particular. As the management of EU funds is a highly bureaucratic affair, the description of process and involved actors bears interesting insights into competence allocation and room for manoeuvre opened up for the local level in addressing those policies they deem relevant in the respective urban context. The problematic concept of diversity and its ambiguous relation to structural funds has been presented above, and this conceptual ambiguity needs to be borne in mind. However, the link between ESIF and diversity-related policies and measures – whether more deprivation-oriented in Leipzig or more business-oriented in Rotterdam – becomes clear insofar as the structural funds do make considerable contributions to the funding of measures that address heterogeneous areas and populations in both cities.

Concerning local actors' general involvement with and perception of the EU, a couple of observations deserve attention. The two studied cities are long-time **professional players** employing skilled staff in EU structural policy. Both cities have been active in the European city network *Eurocities* for decades and continue to use this network platform as one of the main channels to influence EU policy- and decision-making. This emerges very clearly from the interviews conducted with people responsible for European relations in both municipalities. Cohesion and structural funds policy is one aspect of the many-faceted EU lobbying activities. Both cities have been active recipients of EU funds since the very first urban-centred schemes were deployed in the late 1980s. However, the categorisation of the different regional development stages has led to different degrees of relevance the structural funds for urban development in general and thus also for urban diversity governance in the two cities. With regard to the dynamics of the volume of funding provided, the two investigated cities are quite similar in the sense that the current funding period provides them with a considerably less favourable resource endowment than in the past, both from EU and other public sources. Rotterdam appears as a confident policy shaper trying to generate maximum impact with the relatively small amount of EU funding it is entitled to. Leipzig, on the other hand, has to deal with declining overall sums in the light of long-time use of EU structural funds, but also tries to actively shape EU policy via networks like *Eurocities*. It can thus be stated that the **capacity** of making EU funds available, of using them in line with existing urban priorities, and of monitoring implementation is large in both contexts, even though

the institutional setting allows more room for the city of Rotterdam (see below). Regarding financial capacity, i.e. **local financial and economic conditions**, it shows that the need for external funding is more pronounced in Leipzig, whereas in Rotterdam, actors are grateful to have the ITI as a tool available to target the Rotterdam South area because other sources are declining. The resource allocation to specific projects and measures on the ground and in diversity-related terms is then also determined by **policy choices** made on the local level, often in close co-operation with other levels of government and with private or public entities. Building upon these policy choices, the extent to which own and external resources are available for specific measures that target underprivileged groups and/or areas decides on the usability of the funds for (one kind of) diversity governance.

For the general use of funds, and thus also with regard to diversity-related policies, the **procedural set-up** of the fund programming, allocation, and management largely determines the leeway of local actors to being able to influence the OP contents. Among this, the **inter-institutional working relations, networks, and co-operation cultures** that the cities cherish with other levels of government or other entities relevant in the ESIF structure are of crucial importance. Leipzig's position from its rather weak position vis-à-vis the Saxon ministries acting as Managing Authorities and responsible for the OP. Clearly, the Saxon ministries involve the municipalities that can make use of the urban development schemes within the ESIF, but the quality of this involvement in terms of actual co-creation opportunities for the cities can be doubted. The Rotterdam managers of the funds enjoy considerable information and co-creation opportunities due to the institutional peculiarity of the Managing Authority being located within the city administration and due to a political culture which is very much coined by inclusion of different levels of government and private actors, the *poldermodel*. In line with that, Rotterdam's close ties with the national ministries who partly delegate the OP drafting to the city level allows for Rotterdam officials to make very efficient use of the – in its entirety quite minuscule – structural fund endowment of the city. Still, Rotterdam seems to be an exceptional case in that regard, so that it is by no means justified to speak of a generally bigger leeway of urban actors or authorities in Dutch cities. The G4, all located in the West Netherlands ERDF region, enjoy the natural advantage of being focus areas for policy action and thus also for funding. It emerges from the interviews that – big, medium-sized and small – cities located in other parts of the Netherlands have much less to say in the structural fund negotiations and OP drafting processes.

The **degree of fit** of ESIF design and local diversity-related measures shows to be a complex issue. A general observation is that the perceived usability of funds to tar-

get local diversity needs has declined quite severely in Leipzig. Here, actors deplore the lack of fitting funding arrangements targeting very specific actions, like integration measures in the increasingly diverse Leipzig East or an encompassing local economy support scheme in Leipzig West. In unison, actors in Leipzig see this funding period to be the financially and content-wise most tightly knit since the city started making use of the funds. Rotterdam seems more adaptable in that regard, which might well hinge on the fact that the funding amounts the city received were always more limited, with the West Netherlands region having the status of a more developed region for decades. Still, in light of budget cuts and devolution of tasks to the local level, Rotterdam does feel the pressure to maximise the ESIF impact for areas and measures the city does not finance itself any more or for which external funding is no longer available. Thus, next to the overall funding volume and – most pronouncedly for Leipzig – the share of co-financing made available for projects, the content of the ESIF design is important. Content-related priorities in the funds determine the **intra-ESIF complementarity** – which is very important for the ITI used in Rotterdam South – and also the **degree of fit of ESIF with other funding sources**. This is where the inter-institutional set-up emerges again as a shaper of rules concerning eligible costs and combinations of funding schemes on the ground.

As long as the ESIF allocation design works as it does today, with the OP-drafting bodies (in setting priorities) and Managing Authorities (in choosing projects) – often comprising the very same institutions and persons – determining the way money can be spent on certain policies and projects, local actors' leeway will necessarily be shaped mostly by their position within this institutional structure and only secondarily by what the EU rules provide or rule out. There is plenty of evidence that the agenda setting capacity and room for manoeuvre in deploying structural funds is greater in Rotterdam than in Leipzig. Interviewees from both city contexts illustrate the type of repercussions the specific institutional setting has on their work. It shows that the allocation of responsibilities and competencies greatly influences the possibilities of local actors to make use of ESIF the way they find it helpful and most effective, especially when targeting specific underprivileged areas and/or target groups. This concerns especially the use of certain semantics, the prioritisation of specific intervention areas, or the use of urban-centred tools like ITI.

Concerning the application of the findings to the traditional Europeanisation literature, namely **domestic change**, several observations apply. A change in working methods happened in Leipzig during URBAN II, qualifying as download Europeanisation. Even though uploading forms part of day-to-day EU-related work of municipal actors, institutional barriers structurally dis-incentivise profound uploading in the

realm of structural funds, like via co-creation of the OP. The leeway within URBAN II, where the Saxon State played a much less pronounced role than it does in the current set-up, is perceived as having been clearly bigger by actors in Leipzig West. The fact that the socio-economic conditions in the targeted Leipzig areas allowed for large-scale experimentation contributes to this perception. Rotterdam has the leeway to integrate its own policy creation process into the structural fund framework and is thus capable of considerable uploading activities. This is curtailed by the small ESIF volume and institutional barriers. The adaptational pressure stemming from fund use seem not as pronounced for Rotterdam, and no causal link between local-level changes and the existence of EU programmes can be established based on the present study. This require further research that systematically scrutinises the impact of URBAN II and other structural fund schemes in Rotterdam.

5.5 Determinants of EU fund use for urban diversity governance

This section distils a number of more clear-cut findings to be tested in future research on structural funding-related urban Europeanisation. The factors derived from Europeanisation literature, like local-level motivation and capacity, the domestic institutional framework, and the degree of fit of urban conditions with EU norms, provide the right ingredients in order to postulate more concrete determinants of EU structural fund use in urban diversity governance.

1) *Local political will* decides: The degree of local use of EU structural funds for urban diversity governance depends on the decision taken by the local government, potentially together with partners in civil society and other levels of government, to define certain underprivileged target groups and areas as potential beneficiaries of ESIF intervention. This decision is subject to how the societal discourse on city level is organised, conducted, and influenced by overarching narratives or semantics.

2) *Economic need* decides: The degree of local use of EU structural funds for urban diversity governance depends on the room for manoeuvre provided by the local financial and economic conditions insofar as the socio-economic situation of the city makes external funding unabatedly necessary in order to invest in specific urban areas and in underprivileged citizens.

3) *Institutional-political opportunity structure* decides: The degree of local use of EU structural funds for urban diversity governance depends on the degree to which institutional framework conditions and the relations with other competent levels of government allow urban actors to co-shape the spatial and content-related focus of the Operational Programmes. It is crucial
    a. to what extent local actors can influence the European level, mostly European Commission and European Parliament representatives, via direct lobbying during cohesion policy negotiations, and
    b. to what extent local actors can influence the level of government responsible for drafting and submitting the Operational Programmes via content-related input concerning the definition of overarching or specific objectives and priorities.

4) *Usability of EU funds* decides: The degree of local use of EU structural funds for urban diversity governance depends on the degree of fit – determined by both the EU regulations and by the OP provisions – between EU structural fund design and the financial and substantial needs on the ground regarding
    a. the volume of funding available specifically and exclusively for (deprived) urban areas and the relation of this volume with the overall financial resources available for diversity governance and urban development, and
    b. the design of the schemes earmarked for urban development in terms of financial framework provisions, the degree of practical complementarity of different funds for specific objectives, and the fit of instruments such as ITI with local economic realities, and
    c. the degree of on-the-ground complementarity with funding from other, non-EU- and EU-funded, external sources.

These factors are to be seen as a continuum of highly interlinked properties of behaviour, structure, and opportunity. For any specific studied context, however, a hierarchisation can be employed after in-depth scrutiny of specific local contexts. Surely, a certain level of political will and economic need are necessary conditions for the use of ESIF in local contexts. This is due to the fact that – in the current set-up – economic need determines fundamental ESIF eligibility. Local actors need to explicitly define the *deprived areas* that, allegedly, need additional external support. Thus, without the identified state of deprivation or the lack of political will to define such a state for certain urban areas, ESIF use is largely ruled out in these places.

Hypotheses 3 and 4 rather point to the degree and quality that ESIF use can have in local contexts.

Ideally, actors' objectives should be about effective and efficient fund use. As, in reality, fund maximisation is often decisive, the hypotheses described above yield no ideal picture of how structural funds could be used most efficiently, but what factors determine their actual, observable use. All these assumptions are based on the current setup of EU cohesion policy in that the degree of deprivation is still the key determinant for eligibility, despite the past reforms that made this structure less rigid and all regions potentially eligible for support.

6 Conclusions and future prospects

The body of empirical work on the EU-urban nexus, be it via cohesion policy or other policy fora, is a huge uncut diamond, especially with a view to specific policies and governance challenges. This thesis seeks to provide a small piece of the puzzle in trying to complete and understand the full picture of the realm of possibilities and constraints of urban action within the EU multi-level polity. The thesis uses two specific policy fields and investigates the properties of their encounter: cohesion policy and urban diversity governance. Concerning high-level politics, the topicality of the issue in undoubted. Only on 30 May 2015, the Dutch Presidency of the Council announced its contribution to the EU Urban Agenda with the *Pact of Amsterdam*. Still, little is systematically extracted concerning the determinants of past and contemporary behaviour of cities and urban actors vis-à-vis the EU, especially when looking at specific policy areas and pressing urban challenges.

The thesis proceeded as follows. Based on nine encompassing interviews with representatives of the municipal administrations in Leipzig and Rotterdam, a smaller-scale document analysis, and insights from the *Divercities* research, it sought to extract today's determinants of structural fund use in urban diversity governance, i.e. to provide in-depth knowledge on the structures and constellations fostering or disincentivising ESF and ERDF deployment for addressing urban challenges related to diversity. In both studied cities, structural funds form part of the municipal resource landscape. ESF and ERDF are, among a wide array of other funding schemes, employed for supporting measures that can be called diversity-related. In ESF, the inbuilt focus on underprivileged and vulnerable groups adds to the usability of this funding for the mitigation of social exclusion and poverty. The ERDF, with its infrastructure- and investment-related design, can complement these non-investment-related measures to a certain degree. In Leipzig, however, it shows that the perceived degree of complementarity the funds unfold on the ground to bring about integrated local governance arrangements decreases sharply with the current funding period.

The core concern of Europeanisation research is to account for domestic change, be it institutionally, perception-wise, structurally, etc. This is not the core interest of this thesis for a number of reasons presented above. Inter alia, the definition of a 'baseline situation' is extremely difficult in the realm of a policy that exists for decades and is extremely dynamic in itself. By investigating what factors determine the take-up of the structural fund opportunity structure concerning diversity-related policies in urban contexts today, and by interviewing long-standing municipality staff

members, some evidence on local-level change could be retrieved, though, which is summarised in section 5.5. This evidence suggests that the EU impulse – the existence of specifically designed funding structures for urban contexts – is only one of the determinants shaping how urban actors' behaviour vis-à-vis this opportunity structure changes over time. The other determinants, namely inter-institutionally determined spheres of influence, economic conditions on the ground shaping the financial capacity local actors have, and political will on the local level, play into the general behaviour pattern to varying degrees and in close interconnectedness.

Manifold points of departure for further research arise from the findings collected in the course of writing this thesis. As presented, cities face a wide array of policy challenges today, while governing ever more diverse populations in times of strained public budgets and increasing political and social polarisation. In addition, the EU, the Commission, and national, regional and local actors in member states have focused their attention more on urban contexts and have presented assessments on the urban dimensions of cohesion policy. Commission-internally, the looming programming period post-2020 triggers a lot of research, as decision-makers and stakeholders strive for adapting the powerful instrument ESIF to future challenges. The point this thesis makes is that the research on the EU-local nexus needs to be performed academically, visibly, and critically, and based on current developments. The main envisaged contribution is to complement the insights on urban governance in diversified contexts gathered within the *Divercities* project by an assessment of the EU's role in this governance challenge.

Theoretical considerations

The study finds the area of structural fund use to be one important realm of EU-local interaction. Employing the Europeanisation perspective on the topic of local use of structural funds is a deliberate choice, as the Europeanisation approach is identified to offer explanations for local actors' engagement with EU opportunity structures like structural funds. In principle, the factors derived from the Europeanisation approach show to be valid and insightful for the explanation of local actors' behaviour in EU structural fund use. Still, there is a need to further develop the framework establishing local and urban Europeanisation research with a view to specific governance challenges. The role of inter-institutional dynamics shows to be understated in current Europeanisation approaches. The present analysis yield this factor to be a massively important moderator of local fund use. Beyond local-level motivational factors, the factual opportunities offered by existing competence allocations and

institutional dynamics needs to be more systematically included into studies of urban Europeanisation, at least concerning structural funds. The same need for further clarification and refinement arises in light of the 'degree of fit' assumption. Here, it shows that in reality, the fit assembles more aspects than only the dichotomy between norms, processes, and procedures on the EU level and on the domestic – here being the local – level. In fact, the degree of fit in structural funds is determined a highly complex set-up of available measures (and available funds for financing them) and needs and preferences on the ground, and the way these structures align. The present thesis, which illustrates the complexity of the encounter of the EU structural funding with local-level challenges, invites further research to build upon these insights, while acknowledging the need to go beyond the rather schematic assumptions the (traditional) Europeanisation literature offer.

A typology for different sub-national actors and their preferences, attitudes, and behaviour vis-à-vis the opportunity structures provided by the EU polity would help to understand more systematically in what way variations concerning motivational and structural variables impact on the type of EU-local interaction. Most analyses, like the present one, use Western European large cities as cases to scrutinise how cities deal with constraints and opportunities provided by EU norms and demands conveyed in structural fund regulations. It would be valuable to investigate small and medium-sized cities' stances towards Europeanisation in a historical perspective, and to test the available frameworks among a more diverse sample. Smaller cities are subjects in the EU polity as well, and it is important to understand better in what way city size – and related characteristics – matters for the degree and quality of Europeanisation in various policy fields. Structural funds would, then, not necessarily offer a good proxy for an opportunity structure provided by the EU, at least not as straightforwardly as for big cities. For a comprehensive evaluation of smaller cities' European efforts, urban-rural co-operations and the respective schemes deserve heightened attention and scrutiny.

Methodological considerations

Interviews are a powerful way to obtain a deep understanding of the acting parties' perspectives for the type of design employed in this thesis. Qualitative interviews always bear constraints, as presented in the methodology chapter. In line with the theoretical critique, the élite bias also applies here, which shows in the different kinds of insights gained via the interviews with the intermediary actors in Leipzig West in comparison to the Leipzig administration staff. The intermediary actors de-

scribe the types of challenges on the ground in Leipzig more from a local population's view. For Rotterdam, no interview with intermediary actors or civil society representatives was conducted, which is to be understood as a shortcoming concerning the robustness of the findings. Still, the insights from the interviews point to the fact that there are indeed city approaches that justify using administration staff as representatives of the city-wide discourses and cities as units of analysis.

As mentioned in the methodology chapter, no clear-cut case selection rules could be applied in this thesis, as the study proceeded in an explorative fashion and built upon the case selection made by the prior *Divercities* research. Upon close inspection, both Leipzig and Rotterdam are 'extreme' cases with profound differences. These differences were helpful within the explorative study, as considerable variation concerning a number of city characteristics needed to be covered by the theoretical framework. The determinants and dynamics presented in section 5.5 show to be universal concerning the two studied cases. Thus, a similar research design as that proposed in this thesis needs to be expanded to other urban contexts and needs to test if the hypotheses formulated are indeed valid. Cities in Europe have common legacies, but also massively different trajectories. This is why any comparative urban research, especially if it is to be conducted in several EU states, needs to be very sensitive to the degrees of similarity and distinctiveness that are so characteristic of urbanised agglomerations.

Policy implications

When talking about the use of structural funds for diversity governance in cities, one first needs to talk about the general relevance of these funds for urban development. The main result emerging from this research undertaking is that EU structural funds mean very different things for urban actors, even in two cities that exhibit a set of comparable challenges, also concerning diversity-related issues. It became clear that EU funding via structural funds is one element of local economies, and the role it can play largely depends on the state of national, regional and local economies.

Today and in the future, Leipzig has to cope with the changed situation of decreasing EU (and other external) funding, being considered a *more developed region* in EU cohesion policy terms. For Leipzig, it will be most interesting to observe how the development status will impact on future resource endowment. Concerning diversity, Leipzig is in the midst of a reorientation process that entails important narrative shifts – from the shrinking old-industrial place people fled to the dynamically growing boomtown '*Hype*zig'. The way external funding will be necessary and also used for

the governance of a diversifying urban reality hinges on a variety of yet unknown factors, including the changing diversity discourse in the city itself. Also the targeting of specific areas – currently mainly Leipzig East, Leipzig West, Schönefeld, Grünau, and the Georg Schumann street, is up for negotiation, with the publication of the redrafted new urban master plan being scheduled for 2017.

A policy recommendation for the city of Leipzig would be to lobby even more strongly for meaningful and mainstreamed budgets for urban areas within the structural funds – at the EU and the Saxon state level. This will be necessary as the post-2020 resource endowment is unlikely to be bigger than today for the city. Thus, it might also be helpful for the city to start looking into ways of making tools like ITI employable for its urban development challenges. All in all, it seems that the way the socio-spatial focus areas will be defined in the upcoming urban master plan in 2017 will be very decisive for the definition of further financing activities in Leipzig. The active inclusion – and more widespread establishment – of area managements that can act as intermediary actors between the municipality and the citizens seems like an advisable step in order to identify challenges on the ground.

Rotterdam, on the other hand, is in the same insecure position concerning future financial allocations to urban development. However, Rotterdam has quite proactively tried to put in place revolving urban development funds, which they deem to gain importance vis-à-vis subsidy-based schemes in the future. The Dutch *poldermodel* with its built-in culture of consultation and co-operation with a variety of partners might create rather favourable conditions for the management and application of such funds in specific urban areas, though. As one of the interview partners uttered, the position of the ERDF Managing Authority might not be upheld at the Rotterdam municipality, which would make the engagement with cohesion funds even more complex for Rotterdam.

Several general policy implications emerge from this. The ambiguous sets of urban diversity definitions are unlikely to become less complex in the future, with the diversification of (urban) populations being a reality. The development of local-level dynamics concerning the negotiation of the degree and type of desired diversity will continue to provide room for conflicts and polarisation. Success and characteristics of any future diversity policy will be heavily connected to the extent to which policy-makers on all levels, but most importantly on the ground, find workable and inclusive solutions for their very specific contexts. Generally, the meaningfulness of certain spatially delimited interventions aimed at reducing deprivation might be called into question, as increasing socio-spatial differentiation is observable. The responsibility to find appropriate policy answers to this rests mainly with the cities themselves, but

are also contingent on the way external funding logics work, which most often aim at short-term interventions, giving rise to incremental approaches to governing diverse populations.

The design of cohesion policy and its urban profile constitutes an equation with many unknowns in it. As seen in this two-case analysis, the usability of funds is dependent on a number of factors that the European legislator has little influence on. The current basic assumptions of cohesion policy like the place-based and needs-based approach, in contrast with the competitiveness objectives might be up for revision, but everything hinges on the successor of the Europe 2020 strategy, the yet to be defined European narrative for 2030. Then, the urban dimension in the next grand strategy will be a result of negotiations entailing a large number of actors, among which the member states are the most powerful. Thus, a policy recommendation emerging from this thesis for the EU level is to give an even stronger voice to cities in cohesion policy by building upon existing efforts, but also by pressurising regional and national authorities who do not fulfil the partnership principle to a satisfying degree.

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Appendix

Table of interviewed persons in Leipzig and Rotterdam[39]

City (district affiliation)	*Position within the city governance structure*	*Professional relation with structural fund administration*
Leipzig		
Le-O1	municipal	Coordinator of structural fund applications by the district as a beneficiary
Le-O2	municipal	No (more) direct affiliation, but engagement in a number of EU projects; preoccupation with urban development funds
Le-W1.1; Le-W1.2	intermediary	Responsibility for area management where ESIF are used, but no active role in the acquisition or administration of funds
Le-W2	municipal	Coordinator of structural fund applications by the district as a beneficiary
Le-EU	municipal	No operational management responsibilities of structural funds, but advisory and communicative tasks concerning general EU relations, networks, and structural policy
Rotterdam		
R-SF1	municipal	Responsible for internal and external communication on structural fund management
R-SF2	municipal	Responsible for internal and external communication on structural fund management
R-EU	municipal	Responsible for communications with the EU level, also concerning the structural funds
R-aca	academic	No operational management responsibilities of ESF/ERDF, but academic knowledge about urban diversity discourse

[39] *Note: Le-O interviewees are responsible for policies targeting the East of Leipzig, while Le-W participants work for the West of the city. Le-W1.1 and Le-W1.2 hold similar positions as intermediary actors and were interviewed together. Le-EU is responsible for EU-related affairs for the whole city. In Rotterdam, only people working on behalf of the entire city were interviewed.*