

**Title:**

Urban governance and territorial competition in Europe: An analysis of  
the north-south diversity in the EU urban policy networks

by

Chorianopoulos Ioannis

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## **Abstract**

The thesis explores the growing significance of cities and urban governance in two interrelated areas: first, regarding national and European socio-economic objectives; second, regarding the processes and spatial implications of inter-urban competition at the EU level. The European Union, in the attempt to tackle disparities and promote economic competitiveness, has developed initiatives for an urban level of policy-making. Central to such a response, it is argued, is the integration into the European policy framework of the fundamental heterogeneity of urban governance structures in Europe.

One particular and prominent dimension of urban disparities in Europe is the North-South polarisation of the emerging European urban hierarchy. The thesis goes beyond the traditional economic focus of urban governance studies in its attempt to understand the relatively poor competitive position of cities in Portugal, Greece and Spain. The thesis stresses the analysis of the process of urbanisation from a socio-political perspective: focusing upon the mode of social, economic and political restructuring and competitive orientation of the local level in Southern Europe.

The research presented here examines the competitive position of Spain, Greece and Portugal at the local level and the structural divergence of the Southern European urbanisation process from the 'ideal-typical' Fordist/post-Fordist mode of urban restructuring and resurgence. The thesis highlights the characteristic urban governance arrangements of Spain, Greece and Portugal which, it argues, are a causal factor of the lagging competitiveness of Southern European cities. This pattern of European urban heterogeneity is not addressed in the emerging EU policies on urban governance. Case-studies of two EU urban programmes from the 1994-99 policy framework, the RECITE networks and the URBAN Initiative, are used to further illustrate the argument. The conclusion highlights the problems, possibilities and consequences of the Community's current pattern of urban intervention.

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## **Chapter One: Introduction**

Significant and extended changes have been occurring at the local government level in Europe since the 1970s, triggered by both industrial and socio-political regulatory reorganisations, and the European integration process. 'Urban governance' as a broad umbrella term describes the transformation and reconstitution of local government in the context of these restructuring trends. While there is an open debate about the nature and impact of these changes at the local level, 'urban governance' portrays the emergence of new procedural and policy frameworks incorporating a wider range of actors<sup>1</sup> involved in actively regulating the local economy and society (see Harvey, D. 1989, p.6; Leftwich, A. 1994, p.371; Goodwin, M. and Painter, J. 1996, p.636; Imrie, R. and Raco, M. 1999, pp.58 and 60). The plurality of economic, institutional and political relations found between cities within one country and, most noticeably, between local states in different countries, however, signifies the key dimension of the economic and socio-political context in any examination of urban restructuring and governance. The diversity of governance arrangements at the European local level, and the importance of an analysis of this diversity in the framework of increased spatial disparities, inter-urban competition and the launch of urban governance policies by the EU is what this thesis discusses.

The thesis argues that in order to understand further current processes of uneven development in the EU territory, the role of the local (urban) authorities<sup>2</sup> as the very medium through which local regulation and territorial specificities are constructed has to be examined in more details. The focus of this comparative study is the local state in Spain, Greece and Portugal. The rationale for the closer examination of the local authorities in Spain, Greece and Portugal is based on the lagging urban performance indicators of these three countries in all studies that rank European urban agglomerations (CEC, 1988, p.204; Hall, P. 1992; Wegener,

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<sup>1</sup> Both public as well as private and voluntary sector groups.

<sup>2</sup> The term 'local level' and 'local authorities', in this thesis is defined with reference to the urban administrative units of the EU Member States. In terms of the EU system of territorial divisions, the Nomenclature of Statistical Territorial Units (NUTS), the local level as defined in this thesis would correspond to areas below the NUTS III level (see CEC, 1995-b, p.6)

M. 1995). The thesis explores the North-South dimension of the emerging European urban hierarchy in the framework of the economic and socio-political distinctiveness of the Southern European urbanisation process. It discusses the structural divergence of urban governance in Spain, Greece and Portugal from the dominant post-Fordist mode(s) of urban restructuring and resurgence.

The broader area of examination is the shifting requirements of EU spatial policies, characterised by the launch of EU initiatives for an urban level of policy making aiming at promoting economic competitiveness and cohesion. The thesis explores the characteristics of this policy shift and the extent to which EU urban initiatives incorporate the North-South difference of urban governance structures in Europe.

The chapters in this thesis fall into two broad parts. In chapters 1-5 the conceptual and empirical background of the research area is constructed. Chapters 6-9 focus on the EU level. They present the changing conditions and new spatial policy objectives at the EU level and explore the North-South urban diversity in two EU urban programmes of the 1994-99 period.

#### The theoretical framework

The approach to the shifting importance of the local level and the role of local authorities in development prospects is explored through a synthesis of the debates over the spatial and political implications of industrial restructuring processes (Chapter 2).

The examination of the spatial implications of industrial restructuring is based on a review of the 'global cities' and 'industrial districts' literatures. What is emphasised in the corresponding debate is the interrelationship between the changing mode of industrial organisation and the enhanced importance of urban, social and economic space as a unit of production, a development that opens up opportunities for locally defined and constructed growth paths (Scott, A.J. 1988; Storper, M. and Scott, A.J. 1989; Bailly, A. Jensen-Butler, C. and Leontidou, L. 1996).

In the attempt to theorise the changing central-local relations and the role of the local state as an agent and object of regulation, the debate within the regulation school offers an insight into the political articulation of industrial restructuring processes. Arguments within the school emphasise the emerging significance of local spaces of interaction between practices of accumulation and regulation (Goodwin, M. Duncan, S. and Halford, S. 1993, p.85). Central to this standpoint is the identification of a dialectic of the spatial dynamics of industrial restructuring, the neoliberal reorganisation of nation-state policies and the proliferation of corporatist arrangements at the local level (Eisenschitz, A. and Gough, J. 1998).

Extending this argument further, particular regulationist writers (Jessop, B. 1994; Mayer, M. 1994; Pickvance, C. and Preteceille, E. 1991) interpret current socio-political developments<sup>3</sup> as manifestations of the 'localist' character of the unfolding - but still uncertain in its final characteristics - post-Fordist mode of regulation. The social integration of the economy, according to this view, proceeds through networked local institutions and linkages within civil society, with the local authorities as the main actors in organising territorially specific forms of governance (Eisenschitz, A. and Gough, J. 1998, p.765). More importantly, though, the local spatial form of the construction of consensual politics and social compromises regulating the accumulation process, by operating in the framework of the neoliberal restructuring of the nation-state, is oriented towards supply-side policies, promoting economic competitiveness as the main motif of action (Logan and Swanstorm, 1990, p.14).

### The empirical background

The review of the literature on inter-urban (territorial) competition, conducted in chapter 3, provides an empirical and complementary to the regulation school perspective on the importance of understanding the localised character of regulation and governance in the EU context. The identification by this literature of the factors and processes that determine the

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<sup>3</sup> Including primarily the expanded sphere of local political and economic action, the proliferation of local level corporatist arrangements and the upgraded role of urban governance (Mayer, M. 1994, pp.317-8).

competitive performance of urban-regional economies signifies the different starting points of the European cities in advancing competition oriented policies (Harvey, D. 1989; Cheshire, P.C. and Gordon, I.R. 1995).

The examination of the changing European urban hierarchy on the basis of this diversity, in turn, highlights the trend towards increased polarisation and the reinforcement of spatially uneven development trajectories in the EU (Meijer, M. 1993). In this context, the prominence of the North-South duality of urban growth prospects is stressed. Cities in Portugal, Greece and the majority of the urban areas of Spain are placed on the peripheral belt of urban Europe in all the studies that assess the impact of economic integration to the EU urban economies (Hall, P. 1992; Lever, W.F. 1993; Grasland, L. and Jensen-Butler, C. 1997).

In the attempt to elucidate further the limited integration of Southern European cities to the emerging European urban system, chapter 4 advances a cross-national comparison of the particular municipal indicators of competitiveness identified as central by the 'territorial competition' and 'local economic initiatives' literatures in determining the urban development prospects (Garofoli, G. 1992; Cheshire, P.C. and Gordon, I.R. 1995). Comparisons include the territorial and population scale of the basic level of administration, the degree of local financial autonomy, the number of functions and services performed by the local state as well as the character of urban leadership and the level of 'professionalism' of local bureaucracies. Two models of European urban administration are identified, with cities in Spain, Greece and Portugal displaying distinct structural similarities of underdeveloped local state organisation.

The lagging economic and administrative traits of cities in Spain, Greece and Portugal is acknowledged here as a key factor influencing the poor urban competitive performance of these countries. The thesis, however, propounds a hypothesis that explores the reasons and causal mechanisms behind the duality of urban administrative structures in Europe and the comparatively weaker competitive characteristics of Southern European cities.

### The hypothesis

Central to the formation of the hypothesis is that the unified pattern of urban development in Europe, the 'urban life-cycle' (Hall and Hay 1980; Berg, L. et al 1982; CEC, 1988) has been criticised by writers such as Leontidou, L. (1990) who have suggested that there are, instead, two quite different urban development processes in Europe: a Northern and a Southern model.

The argument explored is that the 'peripheral' form of Fordism that characterised the post-war development of Southern Europe generated - and was influenced by - an urbanisation process with distinct spatial manifestations and socio-economic patterns that restrained the regulatory role of the local state (Lipietz, A. 1987). The current moderate competitiveness (with respect to the EU norm) of the local state in Spain, Greece and Portugal reflects the structural limitations of the local authorities in these countries to reform and promote governance arrangements and competitive strategies. This dimension of European urban diversity - currently influencing the polarised tendencies of the emerging European urban hierarchy - is not recognised nor addressed by the 'inter-urban competition' and 'urban governance-local level regulation' literatures.

Comparative studies in the 'territorial competition' literature explore the economic and administrative structures of European local states as factors influencing local competitiveness and 'governance' responses (Council of Europe, 1995 and 1995-b and 1997; Cheshire, P.C. and Gordon, I.R 1995). Extending the analysis further, the thesis explores the socio-political capacity of European local authorities to construct 'governance' arrangements and corporatist policies in order to advance local interests.

In the debate about urban restructuring and governance, the thesis broadens the perspective of analysis from nationally oriented urban governance studies to incorporate the European dimension. It explores the impact of inter-urban competition on local level governance arrangements across Europe and the nature and characteristics of emerging EU urban governance policies. The hypothesis is examined in chapters 6-9 in the area of EU spatial policies.



### The EU dimension

The upgraded importance of territorial specificities for economic development as well as the current trends towards a polarised urban Europe have been acknowledged by the Community and are addressed in the framework of two EU targets.

First, the enhancement of the competitiveness of the European economy is promoted through decentralising policy-principles, institutions and programmes. Reference is made here to the establishment of the Committee of the Regions as well as to the reinforcement of the principle of 'subsidiarity' from the Maastricht Treaty, fostering direct links between the local and Community levels in a search for a flexible and decentralised spatial policy framework (CEC, 1993-c; CEC, 1993-d, p.9). Also, EU urban programmes have been introduced since the 1988 reform of the Structural Funds (Urban Pilot Projects, RECITE networks). This policy shift has been significantly upgraded since, with the launch of the URBAN Initiative (1994) and the introduction of explicit urban programmes in Objective 2 areas in the 1999 reform (CEC 1994-d, p.16; CEC, 1994-f; CEC, 1999-c).

Second, the possible negative effects of territorial competition in the EU as a result of economic and monetary integration processes have been recognised and are addressed by the prioritisation of 'cohesion and convergence' policies (CEC, 1992-a, p.7). The emphasis on the 'cohesion' target in the Maastricht Treaty and in the EU urban programmes advances a policy-making perspective that interprets inter-urban competition as a 'zero-sum' exercise, an activity that does not generate overall growth in the European territory, engendering the risks of increased socio-economic disparities (CEC, 1993-d; CEC, 1999-g, p.14; Harvey, D. 1989).

It is for these two reasons that the North-South urban divide is explored in EU urban programmes. While the limited scale of resources<sup>4</sup> (and thus, possibly, impact) of these policies is recognised, they reflect a broader trend towards upgraded EU action at the local level. The effectiveness with which this policy shift advances the targets of economic competitiveness and cohesion, however, is conditional upon the recognition and incorporation

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<sup>4</sup> The Community urban networks that operate under Article 10 of the ERDF, for instance, receive financial contributions up to a ceiling of 1 per cent of the Fund's annual budget (CEC, 1996-I, p.72).

in the emerging EU urban policy structures of the North-South form of European urban diversity. Otherwise there is a risk that Community action complementary to local level policies will have an unequal impact, assisting only comparatively advantaged localities to utilise the Community initiatives.

In this context, Chapter six provides an overview of the establishment and evolution of the Community's spatial policies focusing on the 1994-99 EU policy agenda. The aim is to illustrate the rationale and detect the shift and characteristics of the Community's spatial policies towards the urban level. Also, to identify the appropriate Community urban programmes in order to explore the impact of the North-South urban diversity on the capacity of cities to utilise these programmes.

#### The case-studies

Chapter seven looks at two Community programmes (SCIENTIFIC CENTRES and EUROSUNET) that operated in the 1992-96 period under the RECITE urban and regional networks. The RECITE programmes form thematic networks of co-operation between European cities and depend entirely on the active participation of the local level in their formulation and implementation stages. The establishment of direct links between the Commission and the European cities - bypassing the national level - renders this programme relevant to the examination of the thesis hypothesis. The comparative analysis of urban participation in RECITE sheds light on the variation of urban governance structures in Europe. More importantly, it illustrates the North-South diversity of urban governance structures and the capacity of cities in Spain, Greece and Portugal to engage in and utilise the Community's urban initiatives.

The case-study cities of RECITE (Dafni-Greece, Valencia-Spain, Barcelona-Spain, Cork-Ireland, Toulouse-France and Warrington-UK) were chosen on the basis that they are examples of the North-South dimension of the European urban diversity. The fieldwork consisted of visits to these cities and the RECITE Office in Brussels where semi-structured

interviews were conducted with key policy-makers and programme co-ordinators in the attempt to analyse the local participation in these EU urban projects.

Chapter eight examines the North-South divide of urban Europe in the Community's URBAN Initiative. The URBAN programmes advance primarily individual city projects. Networking arrangements occur at the end of the programme period and consist of 'exchange of experience' thematic networks between participating cities in URBAN. The main distinction between this programme and the RECITE projects is the role that the national level plays in URBAN as a mediator between the participating cities and the Commission. The comparative examination of the case-study cities in URBAN, therefore, illustrates by means of examples the diversity of national governmental structures. It provides an insight into the impact of these variations on urban governance structures across Europe.

The case-study cities of the URBAN Initiative (Birmingham-UK, Amsterdam-Netherlands, Cork-Ireland, Malaga-Spain, Piraeus-Greece, and Porto-Portugal) are examples of the North-South European urban heterogeneity. The fieldwork on URBAN consisted of visits to the DG XVI and interviews with principle policy makers at this level. Also, the case-study cities were visited and the local URBAN co-ordinators were interviewed.

The concluding chapter reviews the EU debate on the urban oriented changes of the latest reform of the Structural Funds (1999). It elucidates on the rationale behind the 'mainstreaming' of EU urban governance policies and proceeds with a critical analysis of the nature and effectiveness of the EU urban intervention. Finally, in the framework of the research findings, it discusses the importance of enhanced understanding of the socio-political diversity of urban Europe and suggests possible directions for such an exercise.

## **Chapter Two: Urban restructuring and local level regulation**

### **Introduction**

The aim of this chapter is to examine the relationship between the spatial aspects of industrial restructuring processes and the changing economic and political modes of urban governance. This chapter provides the thesis with a conceptual framework within which to consider two issues. First, the trends towards more entrepreneurial forms of urban action as experienced in the developed economies since the mid 1970s. Second, the importance of exploring the diversity of Fordist forms in Europe as the structural framework that influences the current (dissimilar) regulatory capacity and competitiveness of the urban level. In more detail, this chapter is divided into three parts that:

- a) Outline the national and international characteristics of the post-war macro-economic regulatory order and address the political and economic specificities of Southern Europe.
- b) Examine the debate over the new geography of industrial organisation and indicate the emerging importance of the urban socio-economic space in development prospects.
- c) Explore the changing role of urban governance and the localist characteristics of the post-Fordist mode of social regulation. In this context, the chapter points to the emergence of inter-urban competition as a structural characteristic influencing local political-economic trajectories in Europe.

The traits of the post-war macro-economic regulatory order will be examined through a brief review of the 'regulationist' approach. The rationale behind the depiction of this particular methodology lies in the emphasis it places on state-economy relations, identifying, therefore, the context within which the urban political level operates. This will serve as the conceptual background to the analysis of the spatial and political impact of socio-economic restructuring processes at the national and local level.

### **2.1.1 The characteristics of the post-war era: A 'regulationist' analysis**

The regulation perspective, based on the writings of M. Aglietta (1979, 1982) and A. Lipietz (1985, 1987), is concerned, on the one hand, with the theorisation of the dynamics and inherent contradictions of market economies. Furthermore and at a more pragmatic level it is concerned with the identification of the core mechanisms and socio-economic factors which, in distinctive historical periods, guarantee coherence and relative socio-economic stability, or lead to eras of stagnation, crisis and transformation towards new forms of regulation. The regulation approach distinguishes the national from the international level of economic analysis and, while recognising the central role of international economic developments, points to the primacy of the dimension of the nation state, regarding the world economy as a system of interacting national socio-economic formations<sup>1</sup> (Aglietta, M. 1982, p.6).

While acknowledging the differences in the level of emphasis with which particular methodological concepts are applied amongst the writers adopting the approach, central to the regulationist theorisation of socio-economic production, reproduction and change at the national level, is the identification of two highly interrelated but methodologically autonomous levels of analysis<sup>2</sup>.

The first, conceptualised as a 'regime of accumulation', corresponds to a set of regularities in the whole of the economy that form a coherent macroeconomic relationship capable of sustaining growth in both production and consumption (Lipietz, A. 1992, p.2; Amin, A, 1994, p.8).

The second, conceptualised as a 'mode of regulation', is concerned with the social context - structurally integrated to a particular regime of accumulation - in which expanded economic reproduction occurs (Aglietta, M. 1979, p.382; Jessop, B. 1992, pp.48 and 50; Lipietz, A. 1987, pp.33 and 35).

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<sup>1</sup> For comments emphasising the nation state as the dominant level of analysis within the regulationist school see Flynn, A. and Marsden, T.K. (1995), p.1184; Hall, T. and Hubbard, P. (1996), p.160.

<sup>2</sup> A review of the various interpretations and key methodological concepts discussed by writers allied to the regulation school is an extensive exercise (see Amin, A. 1994, pp.8-9; Jessop, B. 1990). This introduction to the regulationist methodology focuses primarily on the interpretation of the 'Parisian' variant of the French regulation school and the writings of Boyer, R. Lipietz, A. Leborgne, D. Coriat, B. and P. Petit.

Thus, for the regulation school, a regime of accumulation is the macroeconomic result of the way the mode of regulation functions with a labour process model as its basis (Lipietz, A. 1992, pp.2-3). According to this conceptual framework the historical evolution of societies, viewed as the alteration of periods of systemic coherence with periods of structural crisis and change, is underlined by the transformation of the relationship between the regime of accumulation and the mode of regulation. It is claimed that distinct periods of expanded production, increased profitability and social stability, which represent a balance between these two concepts can be recognised.

In this context, the ideal typical version of the post-war development model, based on the characteristics of the U.S. macro-economy of that time and featuring an extended period of relative balance between mass production and mass consumption, is analysed as:

a) A regime of accumulation involving mass production; rising productivity based on economies of scale; increased mechanisation and moving assembly-line techniques with semi-skilled operatives; proportionate increases in real wages to match increases in productivity; and stabilised levels of firms' profitability with plants used at full capacity in the context of relative full employment.

b) A mode of regulation, involving, first, social legislation centred upon minimum wage levels; union recognition; generalised collective agreements based on a 'consensus' involving corporatist relations of collective bargaining between trade unions, firms' management and the state. Second, a 'welfare state' or a system of social insurance which together with advanced credit policies guaranteed aggregate demand and allowed the full development of mass production (Lipietz, A. 1992, pp.6-7; Jessop, B. 1991, pp.136-7).

The existence of an internationalised economic configuration, complementing and underpinning the aforementioned national compromises is identified by reference to particular forms of international monetary regulation established in the immediate post-war period<sup>3</sup>. The

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<sup>3</sup> The prime examples of this shift constitute the creation of transnational institutions of economic regulation and control such as the International Monetary Fund (IMF) and the World Bank, as well as the

cohesion of this complex transnational political-economic arrangement was ensured by the 'hegemonic' role of the U.S. in the system, a position assumed due to the military capacity, the high competitiveness of the U.S. economy and, as a result of these two factors, the recognition of the dollar (Bretton Woods agreement - 1944) as the official intervention currency (see Aglietta, M. 1982, pp.6-7; Lipietz, A. 1987, p.40). These monetary and trade arrangements responded explicitly to contemporary political and economic objectives<sup>4</sup> and re-organised drastically the framework of macro-economic interaction among the major Western industrialised countries (see Aglietta, M., 1982, pp.6-7; Lipietz, 1992, pp.1 and 9-10; Baillie, R.T. and McMachon, pp.1-5).

The combination of domestic monetary regulation - controlling the money supply and interest rates - together with the cohesion and stability of the new currency regime, triggered an unprecedented transnationalisation of trade and investment. For almost three decades this arrangement functioned as means for the advancement of U.S. business interests. Also, as a framework for the economic development of the other nation-states partaking in the system, underpinning the efficiency and growth requirements of nationally configured Fordist development models<sup>5</sup> (Swyngedouw, E. 1992, p.46).

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General Agreement on Tariffs and Trade (GATT), (1947), promoting substantial reductions on tariffs and setting up a forum for future modifications of trade rules.

<sup>4</sup> Politically, together with the transfer of technology/capital from the US to Japan and W. Europe (Marshall Plan), Bretton Woods represents a move towards the reconstruction of industry and the reinstatement of strong interdependent market economies in the above areas, marking the Western frontier in the period of the cold-war politico-economic antagonism (Lipietz, A. 1992, pp.9-10). The economic priorities behind Bretton Woods were to replace the volatile pre-war international financial environment of trade restrictions and competitive (nationally determined) exchange rate policies that resulted in the collapse of the financial system in 1929. The aim was to establish a relatively stable international system of fixed exchange rates supported by the IMF and the World Bank which, together with the reduction of trade barriers (GATT), would facilitate the geographical expansion of investment, production and trade (Baillie, R.T. and McMahan, P.C. 1989, pp.1-5).

<sup>5</sup> The volume of world trade in manufactures among the participants, for instance, grew by 349 per cent between 1951-71, whereas output grew by 194 per cent. The leading Western economies, (namely, Japan, the U.S., the U.K., France, Italy and W. Germany) expanded their exports in manufacturing by 480 per cent between 1950 and 1971. By 1973, output in the leading Western economies was 180 per cent higher than in 1950 (Armstrong, P. Glyn, A. Harrison J. 1991, pp.117 and 153).

### **2.1.2 The crisis of Fordism**

The presentation of the reasons that led to the structural crisis of Fordism (in both its national and international manifestations) allows an insight into the debate over the spatial and political impacts of the period of socio-economic restructuring experienced in the Western economies since the mid 1970s. The regulationist school, while recognising spatial variations regarding the timing of the processes involved, it identifies a structural crisis of the Fordist development model in the late 1960s. At the national level, this is seen as the breakdown of the nationally configured 'growth compromises' and the demise of the welfare state 'protective frameworks', and can be summarised along three broad causal lines.

The first refers to the social and technical limitations of the Fordist dominant method of workplace organisation, termed Taylorism. The principles of Taylorist industrial (technological and organisational) 'rationalisation', promoting a rigid fragmentation of tasks and the separation of mental (conception/management) from manual (semi-skilled or unskilled execution) functions, were originally the main reason behind the unprecedented productivity advances of the 1950s and early 1960s. However, the exclusion of manual workers from a qualitative involvement in the production process triggered, in the long-term, a downturn in productivity growth, apparent by the mid 1960s in most branches of industrial activity (Lipietz, A. 1992, pp.16-7). Subsequent investments in highly specialised machinery in an attempt to compensate for productivity losses made more difficult the organisation, profitability and competitiveness of assembly line production (see Boyer, R. 1988, p.200; Amin, A. 1994, p.10). From this perspective the crisis of Fordism is primarily approached as a supply-side crisis, a crisis of the labour process model that 'disturbed' the balance between aggregate productivity gains, increased wages and increased aggregate demand (Boyer, R. 1990, pp.15 and 52; Peck, J. and Tickell, A. 1994, p.294).

The second factor contributing to the crisis of Fordism regards the nature and functions of the Fordist welfare state, termed Keynesian due to the influence of the writings of J.M. Keynes on the degree and political orientation of government intervention in the economy. The ideal-typical Fordist state intervenes actively in the economy and guides



aggregate demand in an attempt to secure a stable mode of economic expansion and avoid an overproduction-underconsumption crisis, similar to the one experienced in the major industrialised countries in the early 1930s (Altvater, E. 1992, pp.22 and 24). Nevertheless, the success of the social security system in the major Fordist countries - which for almost two decades minimised distribution conflicts and incorporated wage-earners as consumers in an enlarged market - was dependent financially on the high revenue-raising capacity generated by the post-war economic boom (Jessop, B. 1994, p.255). Thus, with the slow-down in growth of productivity and output since the late 1960s, growing social expenditure<sup>6</sup> led to demand-pull inflationary and, consequently, budgetary pressures<sup>7</sup> forcing the restructuring and limitation of the state's welfare functions<sup>8</sup> (Boyer, R. 1988, p.202).

The third factor corresponds to the repercussions accrued to economic management at the national level from the increased internationalisation of production and trade. The emerging competitive pressures from the so-called newly industrialising countries (NICs) in the Far East and Latin America<sup>9</sup>, the liberalised flows of international currencies after 1973, the growth of exports and the consequent penetration of domestic markets, emphasised the character of wages and public expenditure as costs of production rather than sources of domestic demand. This obstructed the macro-economic policy instruments of the Keynesian welfare state (Jessop, B. 1994, pp.261-2; Boyer, R. 1988, pp.200-2).

Furthermore, the interface between the national and international modes of regulation of the Fordist system generated a different set of events at the international level that played an equally significant role in eroding the structural characteristics of the Fordist growth model. In this context, the regulation school notes the long-term structural shortcomings of the internationalised monetary order due to two factors. First, the absence of any international

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<sup>6</sup> In areas like education, health, urban infrastructure, housing and income maintenance programmes.

<sup>7</sup> The effects and budgetary impact of the diversity of national policies adopted to promote the post-war political commitment to 'full employment' after the early 1970s economic crisis can be seen in Therborn's (1986) study of 16 major OECD economies on the issue, for the 1974-84 period.

<sup>8</sup> Even though this process seems to accompany the productivity downturn rather than being its cause, the reduction in the interventionist functions of the Fordist welfare state constitutes a further impairment of the set of social forms characteristic of the Fordist compromise and of the ability of the Fordist state (in its various nation-specific forms) to guide aggregate demand.

political forms of regulation complementing the economic arrangements. Second, the dependency of the Bretton Woods system of economic internationalisation on the nationally constituted regulatory logic of Fordism, in general, and the US economy, in particular (Altvater, E. 1992, p.30; Peck, J. and Tickell, A. 1994, p.290; Harvey, D. 1989-a, p.183; Swyngedouw, E. 1992, p.46; Armstrong, P. Glyn, A. and Harrison, J. 1991, p.163). The final demise of the fixed currency exchange rate system in an agreement between the major central banks of the OECD countries in March 1973 constitutes the formal abandonment of the Bretton Woods system initiating a period of intensified monetary instability that marks schematically the end of Fordist regulation at an international level.

### **2.1.3 The importance of diversities within Fordism and the local level**

The main interest of this thesis is the urban political/administrative level and at this stage the contradistinction is between two ideal-typical categorisations. The operational context of urban policies during the Fordist era, and the potentials that globalising processes generated for a new role for the urban level.

While there is no single argument over the parameters of Fordist local-level policies, these are largely identified as interrelating with two structural components of the Fordist mode of regulation. First, with the role of local economic development as a function of nationally determined macro-economic demand. In this context, local economic policy was involved in planning and regulatory activities, the provision of local infrastructure to support Fordist mass-production, and the (re-)location of mass production industry in the interest of full employment. Furthermore, local level politics were concerned with the supply of public services<sup>10</sup> and local welfare state policies for which there was a politically determined national demand, aiming at the promotion of collective consumption (see Castells, 1977, pp.234-62 and 429-71; Harvey, D. 1989, p.15; Harding, A. 1995, p.2; Hall, T. and Hubbard, P. 1996, p.153; Sabel, C.F. 1994, p.102; Mayer, M. 1994, pp.317-22).

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<sup>9</sup> The comparative importance of the NICs can be seen in Armstrong, P. (et al), (1991) pp.288-94.

<sup>10</sup> Including, among others, housing, transport, health and education.

In approaching the second analytical level that defines the profile of actions of the ideal-typical Fordist local state, emphasis in the literature is placed on the social and political context of Fordism as a spatially organised process. This was expressed both on a national and on a local scale (Goodwin, M. Duncan, S. Halford, S. 1993, pp.72-5). The representative functions of local government played a major role in the construction of consensual wage-relation and corporatist politics which assisted the regulation of the Fordist phase of accumulation. The Fordist local state, for instance, by developing collective bargaining structures through its role in public service provision underpinned the broad national, social and political compromises and created local spaces of regulation (see Painter, J. 1991, pp.28-9; Goodwin, M. and Painter, J. 1996).

However, central to this thesis is the identification of the diversity of European urban structures, and consequently the analysis of the impact of this diversity on the local potential for the generation of growth trajectories. What is recognised and stressed in this frame is that the broad definition of the development model termed ‘Fordism’<sup>11</sup> constitutes a descriptive category. ‘Fordism’ summarises the common structural characteristics of the various institutional, normative, and spatial particularities of the nationally configured ‘growth compromises’ apparent in the major industrialised countries during the post-war period<sup>12</sup>.

A particular manifestation of the aforementioned diversity of Fordist forms in Europe is presented by the development trajectories of Spain, Greece and Portugal. The structural similarities of the industrial, social and political development paths followed by these three countries throughout the post-war period contrast sharply with the European version of the ideal-typical Fordist development model. Basing his argument on the following analysis,

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<sup>11</sup> In reference to the interwar era writings of Gramsci (1991 edition) on the dominant influence exerted by the mass-production methods and high-wage policies pioneered by the Ford motor factory in the U.S. in the 1920s.

<sup>12</sup> Among the work of various other commentators, a more detailed presentation of the diversity with which Fordism was established at the national level can be seen in Boyer’s (1988) study of seven European economies; Lash and Urry’s (1987) comparison of the USA, UK and Swedish Fordist models; Hudson’s (1989) look at the forms of Fordism in north Europe; Esping-Andersen’s (1990) examination of ‘Keynesian welfare state’ characteristics and differences in 18 countries; or, from a broader perspective in Armstrong’s et al. (1991) study of the socio-economic trajectories of the U.S. Japan and Western Europe since the end of World War II.

Lipietz, A. (1987) describes the distinct Southern European development model under the term 'peripheral Fordism'.

### Southern Europe: Peripheral Fordism

The post-war Southern European development model constitutes Fordism in that it involves rapid industrialisation and a combination of intensive accumulation with a growing consumer market based on economies of scale. Indeed, all three countries participated in the post-war wave of productivity increases displaying high growth rate indicators<sup>13</sup> (World Bank, 1984, pp.221 and 259). However, there are a number of distinct differences from the ideal-typical Northern European Fordist examples:

a) Skilled manufacturing production processes and engineering levels were mainly located outside these countries (see Hudson, R. and Lewis, J.R. 1984).

b) Finance comes from a specific combination of the promotion of raw materials and cheap manufacturing exports, tourism, and from money repatriated by emigrant workers<sup>14</sup> (Lipietz, A. 1987, pp.78-9).

c) Consumption patterns incorporated primarily the local middle classes but excluded to a certain extent the workers in the Fordist manufacturing sectors, indicating the absence of an institutionalised regulation of the growth in social demand (Hadjimichalis, C. and Papamichos, N. 1990, p.197). As Esping-Andersen notes, welfare state intervention in Southern Europe was (and is) not based on national standards in means-tested assistance programmes. The key characteristic of the welfare systems in these countries is its fragmentation, where social protection tends to differentiate by occupational classes and benefits reflect accustomed status and earnings rather than redistributive ambitions (see Esping-Andersen, C. 1990; Esping-Andersen, C. 1996, pp.7 and 67 and 69).

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<sup>13</sup> From 1963-1973 for instance, the average annual productivity increase was 5.4 per cent for Spain, 6.8 per cent for Portugal and 7.5 for Greece, while real wages average annual increase was 6.3, 4.9 and 6.9 per cent respectively (Lipietz, A. 1987, p.127).

<sup>14</sup> Between 1967 and 1980, for instance, the funds repatriated by emigrants and tourism accounted for 96 per cent of Portugal's trade deficit, while the figures for Greece and Spain correspond to 52 and 87 per cent respectively (Lipietz, A. 1987, p.126).

d) The presence of authoritarian, unaccountable regimes in all three countries until the mid 1970s points both to the absence of corporatist-oriented consensus forms and to the presence of centralised administrative structures based on electoral patronage and clientelistic relations (Sole-Vilanova, J. 1989, p.206; Heywood, P. 1987, p.207; Hadjimichalis, C. and Papamichos, N. 1990, pp.197-200).

An in-depth analysis of Spanish, Greek and Portuguese post-war socio-economic formations reveals significant differences in both the regime of accumulation and mode of regulation (see Lipietz, A. 1987, pp.119-27). However, the particularity of the 'peripheral' Fordist model is an indication of the context that the local level was called upon to operate in Southern Europe and, consequently, of the divergence of this context from the Northern European ideal-typical version of Fordist local state policies.

In the framework of the examination of uneven development processes in the EU, the descriptive category of 'peripheral Fordism' relates to the spatial implications and political articulation of industrial reorganisation responses apparent in the EU countries since the mid-1970s. The shifting (upgraded) significance of the urban, social and economic space as a unit of production that these developments generated, points to the changing role of the local authorities in the organisation of the local conditions that influence development (Mayer, M. 1994; Wilson, P.A. Moolaert, F. and Demaziere, C. 1997). The north-south divergence of local state regulatory functions in Fordist Europe and, in particular, the limited development of corporatist arrangements in 'peripheral Fordism', relates to the mode of urban restructuring in Southern Europe. It appears as a relevant aspect of the lagging urban performance indicators in Spain, Greece and Portugal (Grasland, L. and Jensen-Butler, C. 1997; CEC, 1992-e).

## **2.2: Changing industrial geography and the local level**

With the collapse of the Bretton Woods monetary framework and the 1973 oil crisis<sup>15</sup>, the period of relative stability and high growth rates in the post-war world economy was

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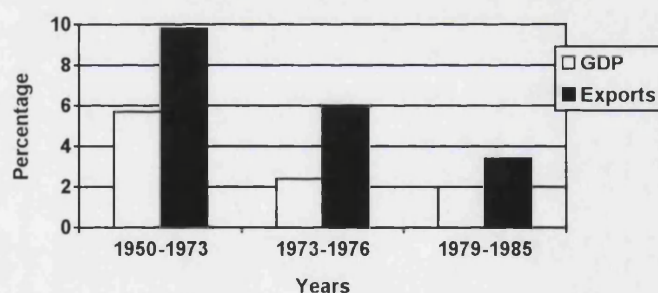
<sup>15</sup> The 1973 oil crisis is not seen here as being part of the structural problems of Fordism, but as a development that had a major impact on the form and timing of the Fordist crisis. For a detailed account of the impact of the oil crisis in world inflation see Armstrong, P. et al, (1991), pp.221-30.

schematically followed by a long-term downturn in international economic growth. Figure 2.1 illustrates the sharp decline in the G.D.P. and Trade growth rates (with exports as a proxy) of the major industrialised countries since the early 1970s by contrasting them with the high growth indicators of the post-war period.

In this context, the structural crisis of the Fordist regulation at the national level, together with the (related) decline in international economic activity since the early 1970s triggered a period of intense socio-economic restructuring, a concept approached as involving three major theoretical categories of economic, spatial and regulatory structural changes.

In the area of the economy, reference is made here to the notions of decentralisation of production as well as to sectoral switches of capital<sup>16</sup> (see Dicken, P. 1992, p.54; Sassen, S. 1991, p.26; CEC, 1996-h, pp.101-3; Dicken, P. 1998, pp.431-3; Coffey, W.J. and Baily, A.S. 1992, pp.858-60).

**Figure 2.1: GDP and Trade Growth rates after the 1970s**



Source: World Bank, 1987, p.40.

The high degree of cross-investment among the advanced industrialised countries, the outflow of manufacturing capital towards NICs, the rate of manufacturing trade expansion which

<sup>16</sup> A parallel development to the rapid internationalisation of the manufacturing sector is the growth in volume and importance of the high level traded services in advanced economies (Cheshire, P. 1995, p.1048). The emerging extensiveness of the range of tasks and complexity of manufacturing organisation increased the dependence of manufacturing on producer services (financial services, research and development, legal and consulting services, insurance, marketing and advertising) and led to the rapid growth of the latter area of economic activities. In fact, producer services have achieved the highest rates of employment growth among all sectors in the advanced economies over the last twenty years while they occupy an increasing share of the GNP (see CEC, 1996-h, pp.101-3; Dicken, P. 1998, pp.431-3; Coffey, W.J. and Baily, A.S. 1992, pp.858-60; Sassen, S. 1995, pp.39-40). Further, since

increased more rapidly than production throughout the 1970s-1980s period, as well as the growth of the advanced producer services and finance sectors<sup>17</sup>, point to an emerging complex interconnectedness of international economic activity, or, a new level of 'global' functional integration between increasingly spatially dispersed economic action (see World Trade Organisation, 1995, p.29; Dicken, P. 1998, p.25; Dicken, P. 1992, pp.1 and 48 and 54; Amin, A. and Thrift, N. 1994, p.2; Harvey, 1989-a, pp.160-6).

The main orientation of the study at this stage will be towards the conceptualisation of the spatial implications of industrial restructuring processes. Emphasis in the literature is placed on the renewed importance of territories and especially cities as the main productive space. Yet, there is a controversy within the debate that addresses the extent of the local social and economic embeddedness of the emerging mode of production organisation. The distinction is between globalisation viewed, on the one hand, as a threat to local diversity and territorially distinctive processes of development and, on the other hand, as a mode of change that enhances the significance of the qualities of 'place' as a generator of endogenous economic growth<sup>18</sup>. The latter literature argues for the opening up of opportunities for locally specific development paths and emphasises the social infrastructure of the territory as the major factor for economic competitiveness.

The contrasting interpretations of these two theoretical standpoints is at the centre of the discussion over the political implications of globalisation. This review, therefore, will

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1985 producer services contain the largest share of the worlds' total FDI surpassing manu-facturing, an indicator of the rapid rates of internationalisation of the sector (Dicken, P. 1992, p.58).

<sup>17</sup> The strict fiscal regulatory framework employed by governments in the post-war period over domestic financial activity and the transnational operations of domestic firms prohibited the creation of an international financial market. With the abandonment of the Bretton Woods system this changed. The lifting of governmental restrictions on competition in domestic financial markets and the harmonisation of financial regulations amongst the leading participants (USA, Japan and Western Europe) triggered an unprecedented proliferation of the operations and growth rates of the financial industry (see Sassen, S. 1991, p.111-9; and Armstrong P. et al, 1991, pp.317-8). Thus, Harvey, D. emphasises the degree to which the banking and financial system has developed into a global autonomous economic force, while Amin, A and Thrift, N. stress the increased power of finance over production (Amin, A. and Thrift, N. 1994, p.2; Harvey, D. 1989-a, pp.160-6).

<sup>18</sup> A third variant is presented in the work of Held (1995, 1999). In this argument globalisation is perceived as the central driving force behind the current economic and socio-political changes. However, it is a historically contingent and unprecedented process. The directions of the 'new non-territorial forms of economic and political organisation in the global domain' that are emerging, therefore, are uncertain (Held, D. et al 1999, p.9).

function as the background in approaching the debate about the changing role of the local level in the emerging mode of social regulation, seen through the perspective of the regulationist school. The thesis will first outline the arguments for the renewed importance of the urban space in production requirements. Second, the two contrasting approaches regarding the spatial impact of globalisation on local development trajectories will be discussed.

### **2.2.1 The trend towards urban re-agglomeration**

Basing their interpretations on the examination of sectoral shifts and corporate restructuring processes at the national and international level, the main spatial trend for a number of commentators is the return of the importance of the urban space as a 'motor' of economic development and change (CEC, 1992, pp.24 and 44; Bailly, A. Jensen-Butler, C. Leontidou, L., 1996, pp.164-5; Sassen, S. 1995, pp.36 and 56; Parkinson, M. Harding, A. and Dawson, J. 1994; Moulaert, F. and Scott, A. 1997, p.6; Lever, W.F. 1997, p.36).

Three reasons have been identified in support of the argument that globalisation has led to enhanced urban agglomeration effects:

a) The growing dominance of advanced producer services and information-based operations upgraded the importance of cities as the primary production sites for this type of tertiary sector activities. Whether operating for the local, national or global market, high-level traded services exhibit a tendency for the spatial concentration of functions due to positive externalities associated with the centralisation of this type of production. While they do not depend on proximity to customers served, for instance, because of the high degree of sector specialisation involved, free-standing producer service firms require proximity to other specialised service activities for the joint production of offering<sup>19</sup> (see Illeris, S. 1989; Sassen, S. 1991, p.11; Cheshire, P. 1995, p.1048).

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<sup>19</sup>To illustrate this point Sassen, S. uses the example of the accounting firm, which, while it can service its clients at a distance, depends on proximity to other specialists, from lawyers to programmers. New York city offers a vivid example of the agglomerative tendencies of advanced producer and finance services: Over 90 per cent of jobs in finance, insurance and real estate are located in Manhattan, as are 85 per cent of business service jobs (Sassen, S. 1991, p.11; Sassen, S. 1995, p.41). Also, in the case of the UK, around half of all foreign and UK banks are headquartered in the City core around the Bank of England (see London Business School, 1995, pp.7.1-7.6).



b) The importance placed by the new service and information economy on creativity and technological innovation. It is argued that creative environments are highly place-specific and dependent on the combination of the following factors, indicating the role of cities as the prime locus of production: the presence of technologically advanced infrastructure and tradition of knowledge creation as the basis for consequent infrastructure developments; the quality of human capital in terms of educational and skill levels capable of supporting knowledge creation and attract investment<sup>20</sup>; a relative degree of population concentration that would rationalise investment costs; market and political power that would justify the risk-taking capacity for the introduction of technologically advanced infrastructures (Bailly, A. et al, 1996, pp.164-5; Harding, A. 1995, p.12; Shachar, A. 1997, p.19; Knight, R. 1995).

c) The urban agglomerative tendencies of advanced producer services are also evident in the emerging spatial patterns of the manufacturing sector<sup>21</sup> (Castells, M. 1989, p.336). Corporate attempts to address the volatility of market demand and of the international financial markets point to the increased importance of (informational) proximity to suppliers and customers and, hence, to the properties of cities as locations which limit market risks and maximise opportunities (Harding, A. 1995, p.12; Bailly, A. et al. 1996, p.165).

### **2.2.2 The global-level predominance approaches**

While it is recognised that processes of industrial restructuring and, particularly, increased capital mobility heightened the significance of place-specific conditions for investment decisions, a number of commentators stress the uneven articulation between global

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As opposed to the centralising tendencies of high-level traded services, a significant part of service functions (back office routine clerical-technical functions, free standing divisions) is less affected by agglomeration economies, intensive communications and face-to-face interaction. Empirical evidence suggests that developments in communication technologies assisted decentralisation these sectors during 1970-90 (Cheshire, 1995, p.1048; Lever, 1997, p.42). Yet, even when relatively routine functions are dispersed, firms move only far enough to reduce property and labour costs while maximising potential contact with the centre (see London Business School, 1995, pp.3-8).

<sup>20</sup> For the role of the quality of human capital as a locational factor for investment see Pompili, T. (1992), pp.905-34.

<sup>21</sup> Castells argues that while the locational pattern of manufacturing investment tends to be regionally scattered it is also characterised by an 'urban bias' and concentrated on metropolitan centres. Only 12 per cent of new plants in the USA were built in rural counties during the 1980s, a trend indicative of the spatial proximity and social affinity to the final destination required by this type of investment (Castells, M. 1989, p.336).

forces and local growth poles. Local economic fortunes, it is argued, are becoming structurally defined at an increasing rate by the emergence of global geographies and hierarchies (Swyngedouw, E. 1992, p.58; Amin, A. 1994, p 25; Amin, A. and Malmberg, A. 1994, pp.234-8).

Based on the literature on contemporary international corporate strategies and through a review of corporate policy trends in Europe, Amin and Malmberg, (1994), point to the growing influence of Trans-National Corporations (TNC) over national and local economic development prospects<sup>22</sup>. The indicators used to illustrate the economic reach of TNCs are the increased number of industrial mergers and market concentrations as well as the substantial expansion of large-firm-led Foreign Direct Investment (FDI) in both the manufacturing and service sectors in the EU over the last fifteen years<sup>23</sup> (Amin, A. and Malmberg, A. 1994, pp.234-5).

Regarding the geography of these processes and the implications for local development prospects in Europe, Amin and Malmberg stress the Europe-wide scale articulation of corporate activity and the high degree of control it displays over employment, output and trade. This, they note, indicates the emerging dependence of local development upon corporate modes of operation (Amin, A. and Malmberg, A. 1994, pp.235 and 245).

The spatial implications of the intra-sectoral re-composition of the leading sectors of the manufacturing industry is also Swyngedouw's (1992) area of examination. In the context of monetary and market instability, for Swyngedouw, corporate attempts at the minimisation of risk associated with the fixity of the production process in space are pursued primarily by the return to short term investments and quick time-space transactions. Thus, while internalised functions and processes are streamlined to accommodate the volatility of national

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<sup>22</sup> Approximately one-quarter of the total world production is undertaken by TNC (Dickens, P. 1992, p.48). For an insight to TNC structures, ideal-type model categorisations and the emergence of the global TNC see Bartlett, C.A. and Ghoshal, S. (1989).

<sup>23</sup> During the 1980s, for example, there was a 25 per cent annual increase in the number of industrial mergers and acquisitions of majority holdings across a wide range of sectors within the EU, a trend that has continued throughout the 1990s. As a direct consequence, the top 40 manufacturing firms in the EU, although they represent less than 0.5 per cent of the firms in the sector, account for 23 per cent of the sales generated by manufacturing (CEC, 1989, pp.33 and 40-2).

and international regulatory conditions, strategies of outsourcing and subcontracting are developed to minimise the scale of fixed investment in particular places, permitting spatial adjustments and organisational flexibility (Swyngedouw, E. 1992, pp.54-5). The concept of the 'hollow corporation', is regarded as a key development in the spatial organisation of production. Intensive in terms of knowledge and regulation control and extensive in terms of material production, the 'hollow corporation' facilitates territorial switching and the maintenance of global command over the highly fragmented geographical system that emerged after the breakdown of the Fordist form of relative spatial coherence (see Swyngedouw, E. 1989, pp.32-3).

Dicken et al. (1994) question the local embeddedness of TNC activity, the degree of TNC participation in local economic, social and political networks and the impact of this on the advancement of locally-specific development paths. Their critique is based on the new business economics and organisational management literature<sup>24</sup> regarding the changing regulatory structures of corporate organisation. It is argued that the importance placed by this literature on the emergence of the networking paradigm of horizontal inter-firm relationships as a stimulus for self-sustaining local growth is overemphasised. The prospects for greater local socio-economic embeddedness of TNCs created by the new organisational forms appear to be limited to a minority of favoured places (Dicken, et al. 1994, p.41).

In a similar manner, Castells. M. (1989), starts his analysis from processes of integration and globalisation in order to examine the urban and regional impacts of these developments. According to this perspective, a new borderless economic geography has emerged, globalised by information technologies and characterised by the shift from a 'space of places' to the 'space of flows' (Castells, M. 1989, pp.349 and 351). Regarding the spatial impact of globalisation and with the empirical focus on the USA, Castells argues for two major trends. First, global capital flows concentrate their directional operations on the centres of the higher level metropolitan areas and - with the exception of these urban locations -

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<sup>24</sup> See Granovetter, M. and Swedberg, R. 1992; Zukin, S. and DiMaggio, P. 1990; as well as the flexible specialisation approach.

generate global geographies which deny productive meaning for place-specific development. Second, the urban agglomerative tendencies of the advanced services sector are also evident in the emerging spatial patterns of the manufacturing sector, indicating the broad urban manifestations of the 'informational mode of development'<sup>25</sup> (Castells, M. 1989, p.336).

A different theoretical standpoint to the thesis of the 'globalising' tendencies of the production system, observes a particular interaction between the various manifestations of globalisation – market volatility and fragmentation, technological advancements in production techniques, diminution of spatial barriers and increased capital mobility, the rise of advanced producer and finance services – and the potential that these processes generate for locally specific economic development. Examples of this methodological link between globalisation and the enhanced local socio-economic embeddedness of economic activity come from both the 'global city' and the 'industrial districts' literatures.

### **2.2.3 The upgraded importance of local social and economic specificities**

#### **Global cities**

In approaching the relationship between economic changes characterised as 'globalisation' and changes in urban dynamics, a number of analysts stress that decentralisation of industrial production upgraded the requirement for a centralised system of control and management (Sassen, S. 1991; Shachar, A. 1997, p.22). Cities will occupy different positions in the emerging international urban hierarchy depending on their integration within the global economy and their involvement in the most innovative control, co-ordination and management functions. According to this literature, major 'world' cities, namely London, New York and Tokyo, have achieved a supreme level of economic dominance as global centres for the management and co-ordination of spatially dispersed production sites (see Friedmann, J. 1986, 1995; Sassen S. 1991, 1995; Knox, P.L. and Taylor, P.J. 1995; Lever, W.F. 1997, p.36). Sassen's 'global cities' argument, in particular, points to

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<sup>25</sup> The 'informational mode of development' is a concept devised by Castells, M. (1983) to describe the new mode of socio-technical organisation in which productivity is primarily determined by knowledge-based activities.

the global control infrastructure, servicing capability and disproportionate share of financial activity represented in London, Tokyo and New York<sup>26</sup>, to suggest that these three cities, besides competing as autonomous markets, are also related in distinct systemic ways to form a transnational urban system and a trans-territorial 'centre' of global command<sup>27</sup> (Sassen, S. 1995, pp.63 and 55 and 71).

A number of factors that encourage service sector firms to cluster together have already been identified. Beyond these, the 'global city' literature associates particular external economies of agglomeration with the concentration of financial institutions and corporations which induce globalising processes in a limited number of urban global-control nodes (Pryke, M. and Lee, R. 1995, p.331). The following brief presentation of these externalities is based on a number of studies investigating the persisting comparative advantages of the City of London in the face of competition from other international and European financial centres. These include:

a) Strategic assets which are not easily replicated. The presence of a large pool of specialised labour, for instance, provides financial firms with considerable flexibility in constructing teams.

b) The distinctiveness of the 'global city' as a social centre of interaction of corporate networks of the finance industry. The structure of relationships between and within firms as well as the importance of personal conduct in establishing trust relations is recognised as an important factor that underlines the deals that can be made, the issues marketed and the coalitions and implicit contracts formed.

c) Reputation for attracting new custom and for product innovation. The presence in a particular financial district of a large number of representatives of investment institutions and

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<sup>26</sup> These three cities accounted for 42 per cent of all international bank lending in 1980 and 41 per cent in 1991 despite the fivefold increase of turnover rates in the sector during the decade. Stock market capitalisation and foreign exchange markets display similar trends (see Sassen, S. 1995, pp.50-1).

<sup>27</sup> The example Sassen provides to support the 'global cities' networking argument comes from the area of finance. Tokyo, in this context, is seen as the main exporter of finance, New York as the leading processing centre with the capacity through novel financial instruments to maximise fiscal returns, while London is represented as the major market with the networking ability to centralise small amounts

banks, assists innovative financial products to be marketed, customised and tested (see London Business School, 1995, pp.3.6-3.9; Amin, A. and Thrift, N. 1992, pp.583 and 584; Shachar, A. 1997, pp.25-6; Pryke, M. and Lee, R., 1995, pp.329-32; Lever, W.F. 1997, pp.40-1).

The joint availability of the aforementioned external economies of agglomeration reflects both a distinctive set of social and cultural practices and the particular place in which their realisation occurs (Pryke, M. and Lee, R., 1995, p.331). In parallel with the 'global city' argument of the upgraded importance of the local socio-cultural and institutional infrastructure as a determinant factor regulating the successful economic performance of the advance service sector in cities, the school of 'flexible specialisation' propounds the emerging importance of socially integrated economic structures in manufacturing (Piore, M.J. 1980; Hirst, P. and Zeitlin, J. 1989; Piore, M.J. and Sabel, C.F. 1984).

#### Industrial districts

Global spatial processes, according to the school of 'flexible specialisation' - as well as a number of other commentators (see Scott, A.J. 1988; Storper, M. and Scott, A.J. 1989; Storper, M. 1994) - materialise in the geographical clustering of productive activity and result in the formation (or re-consolidation) of locally integrated urban<sup>28</sup> economies as the basic unit of production (Sabel, C. 1994, pp.103 and 106; Hirst, P. and Zeitlin J. 1991, p.4). The renewed centrality of the urban economic and social space is viewed by these analysts as evidence of the advancement of flexible specialisation structures of industrial organisation<sup>29</sup>. The examples in support of this hypothesis are drawn from two developments.

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of capital available from smaller international financial markets (Sassen, S. 1995, pp.54-5; Sassen, S. 1991, p.89).

<sup>28</sup> According to Scott, the new industrial spaces are the outcome of a process that involves both the tendency of flexible production systems to avoid older centres of accumulation as well as a dynamic of locational implosion resulting from increased levels of externalisation. These spaces, in turn, are to be found in either a) a number of enclaves (inner-city areas) within large metropolitan regions, or b) a series of areas that have hitherto largely coincided with the extensive geographical margins of the old core regions of Fordist industrialisation but have become functional and spatial hubs of a renewed process of rapid urban growth (see, Scott, A.J. 1988-a, pp.178-81).

<sup>29</sup> See Piore, M.J. (1980), pp.6 and 61-2; Hirst, P. and Zeitlin, J. (1989), p.168; Piore, M.J. and Sabel, C.F. (1984), pp.5 and 21-2 and 38-9 and 166-190 and 252-7 and 276-9; Elam, M. (1994), p.53.

The first refers to the re-organisation of the structures of large corporations in decentralised and relatively autonomous productive units which, while obtaining services such as marketing and finance from other divisions of the parent enterprise, possess enhanced authority to organise their own sales, research and subcontracting with local companies. An increasing reliance on the localised construction of resources is observed, therefore, indicating both the reconstitution of the Fordist concept of 'territory'<sup>30</sup> and the emergence of an upgraded relation between 'production' and 'socio-economic space' (see Hirst, P. and Zeitlin, J. 1991, p.4; Sabel, C. 1994, p.103; Veltz, P. 1997, p.79).

The second development regards the successful economic performance (as measured by exports, employment, flexibility and innovation) and proliferation in terms of numbers of geographically localised networks of mostly small and medium sized firms forming a spatial cluster of specialised and interrelated economic activities<sup>31</sup> (Zeitlin, J. 1992, pp.279-82; Murray, R. 1992, p.303; Sabel, C.F. 1994, p.108; Pratt, A.C. 1991, p.4).

In approaching the 'industrial districts' the primary emphasis in the literature is placed on the social fabric of the productive cluster, the rediscovery of Marshall's notion of an 'industrial atmosphere' (Marshall, A. 1923, pp.284 and 287). Vertical disintegration of production is achieved through the social division of labour, equal partnership and informal relations of trust between firms, and between employers and workforces<sup>32</sup> (Sabel, C.F. 1992).

For Amin and Thrift, the identification of social and cultural reasons behind successful examples of Marshallian local economies can be analysed through the isolation of the

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<sup>30</sup> Defined primarily as a stock of generic resources with emphasis on raw materials and labour (Veltz, P. 1997, p.79).

<sup>31</sup> The conceptual framework for approaching this type of industrial organisation draws upon the work of the turn-of-the century English economist, Alfred Marshall (1890;1923) and his examination of the economic efficacy of small-firm agglomerations in Lancashire, Sheffield (Britain) and Solingen (Germany), termed 'industrial districts'. Marshall stressed the role of the social division of labour (nature of local linkages and inter-firm relationships) in the industrial districts, which through specialisation lead to the generation of collective efficiencies and external economies capable of overcoming the limits of individual firm size for the achievement of scale economies (Marshall, A. 1890, p.332; Marshall, A. 1923, pp.285-88; Peck, J. 1994, p.160; Pratt, A.C. 1994, p.24). For contemporary examples of industrial districts see Sabel, (1994), pp.106-8; Sforzi, F. (1990); Capecchi, V. (1990); Trigilia, C. (1992); Schmitz, H. (1992); Cook, P. and Morgan, K. (1994); Kristensen, P.H. (1992); Friedman, D. (1988), pp. 177-200.

<sup>32</sup> Lorenz, E.H. (1992), defines and explores the relations of the notions of 'inter-firm co-operation', 'community' and 'trust' in industrial districts.

following determinants. First, a strong institutional presence in the locality, incorporating trade associations, business-service organisations and marketing boards, as well as trade unions, local authorities and development agencies. The high levels of interaction among these institutions provides the basis for the growth of particular local practices and collective representations. Second, the development of patterns of coalition and collectivisation in the locality serving to socialise costs and control rogue behaviour. Third, the advancement of a commonly held industrial agenda reinforced by other sources of socio-cultural identification such as norms and values. It is the interrelation of these factors forming what Amin and Thrift call the local 'institutional thickness' that establishes legitimacy, advances relations of trust<sup>33</sup>, stimulates entrepreneurial innovation and consolidates the local social and economic embeddedness of industry (Amin, A. and Thrift, N. 1994, pp.12-6).

Official attempts through normative means for the encouragement of the creation of trust relations in other localised agglomerations with high levels of inter-institutional interaction (such as science and technology parks or industrial estates) have shown limited success<sup>34</sup>. The outcome of these endeavours, which Sabel (1992) calls 'studied trust', is used as an example in the literature: it illustrates the importance of understanding the particularities of local circumstance in any attempt to recreate a new collective identity capable of generating the type of inter-firm external economies found in high-trust systems like the industrial districts<sup>35</sup> (Sabel, C.F. 1992, pp.215-48; Sengenberger, W. 1993, p.317; Sengenberger, W. and

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<sup>33</sup> Trust can be based on various institutions including, local political structures and identities as in the case of Tuscany or Emilia-Romagna (where the support for small business and self-employment rested on the members of the local Communist Party), religious affiliation as in the districts of Veneto, common professional and educational identity found among the high-tech districts in Silicon Valley or Turin, national identity as in the Mondragón co-operative in the Basque region and collective agreement, be it informal or formalised as in the case of Baden-Württemberg (Capecchi, V. 1990, p.28; Sengenberger, W. 1993 p.317; Piore, M.J. 1990, p.54; Zeitlin, J. 1992, p.286).

<sup>34</sup> See the 'Research Triangle' in North Carolina and 'Bionic Valley' in Salt Lake City for the creation of industrial districts based on the example offered by Silicon Valley (Rogers, E.M. and Larsen, J.K. 1984, pp.240-3). For a critical review of the conceptualisation of space in industrial agglomerations, focusing on the case of 'industrial estates' see Pratt, A.C. (1994), pp.19-49.

<sup>35</sup> The revitalisation of four industrial regions in the Commonwealth of Pennsylvania through the re-orientation of economic development policy towards the encouragement of the recognition of the actors' mutual dependence, is used by Sabel as an example of the possibility of generation of inter-firm linkages based on trust (Sabel, C.F., 1992, pp.229-47).



Pyke, F. 1992, p.20; Amin, A. and Thrift, N. 1994, p.16; Perrons, D. 1992, p.190; Murray, R. 1992, p.303).

### **2.3 The political consequences of globalisation:**

#### **A regulation school perspective**

The changing relation between the economy and its territory signifies distinctive political implications for both state-economy relations and state functions as well as for the local political level. However, in contrast to the extensive and open debate over the characteristics of the emerging regime of accumulation, comparatively less theoretical or empirical work has been carried out within the regulationist school on the emerging mode of regulation and the role of state policies in particular (Leborgne, D. and Lipietz, A. 1992, p.333; Tickell, A. and Peck, J. 1992, pp.201 and 203). A number of reasons have been identified in explaining this development.

Scott, A.J. (1988), for instance, stresses the different regulatory environments and unique socio-cultural histories of the new industrial spaces, which, with the exception of the social division of labour, display 'common structural dynamics' of accumulation and not regulation (Scott, A.J. 1988, p.181). Similarly, Tickell and Peck (1992), point to the necessity of establishing which of the current variants of localised accumulation-regulation couplings are reproducible, indicating that many of the contemporary developments are short term crisis-coping regulation strategies rather than the basis for durable economic structures (Tickell, A. and Peck, J. 1992, pp.206-7). On a more abstract level, Altvater, E. (1992), notes that whereas the current period of crisis of the Fordist forms of economic and social regulation is identifiable, it is much more difficult to deduce the generation of new forms of regulation, particularly at the social level. Social stability and, hence, its political manifestations can only be achieved by a complex set of cohesive institutions complementary to the accumulation regime which emerge, though, spontaneously (and not consciously) from conflicting social actors (Altvater, E. 1992, p.22). This apprehension is also evident in the work of the Parisian regulationists. The emphasis they put on the open possibilities of the post-Fordist

macroeconomic design indicates the volatility of the current era regarding the establishment of social and political regulatory practices. Thus, Coriat and Petit highlight the role of services as the key development for the channelling of transactions in a globalised economy; Boyer identifies five post-Fordist scenarios for wage/labour relations; and Lipietz presents three alternative models for the development of a novel macro-economic compromise (Coriat, B. and Petit, P. 1991, pp.38-43; Boyer, R. 1988, pp.268-73; Lipietz, A. 1992, pp.316-30).

### The Framework of the debate

In this context, the debate within the regulationist school over the political consequences of globalisation centres on the interpretation of two major spatially-related regulatory developments.

First, the growing importance of supranational organisations and the impact of this on nation-state related functions and regulatory forms. The prime examples here come from the evolution of the EU, the North America Free Trade Association (NAFTA) the World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF), as well as the emerging regional trade-blocs in Latin America (Southern Cone Common Market-MERCOSUR, Andean Common Market-ANCOM) and the Pacific Basin (Asia-Pacific Economic Co-operation Forum-APEC) (Lever, W.F. 1997, p.35; Budd, L. 1998, p.667).

Second, the re-orientation of local-level regulatory mechanisms. The examples used in support of this trend include the proliferation of local collective bargaining agreements; the breakdown of national labour protection legislation and the emergence of territorially divergent and highly fragmented labour markets; the replacement of nationally and collectively organised redistributive policies associated with the welfare state by a privatised individualised and hence localised system; the devolution of state power through the regionalisation processes with references to developments in Belgium, France and Italy; the direct negotiations between EU institutions and the local state bypassing the national authorities; as well as the shift from public-private partnerships aiming at collective

consumption (such as housing) to directly productive localised public/private ventures (see Swyngedouw, E. 1992, pp.56-9; Lever, W.F. 1997, pp.35-6).

The discussion within the regulationist school links these developments methodologically with the diverse interpretations of the spatial implications of industrial restructuring processes. Two contrasting arguments appear. The first regards the promotion of global corporate control and hierarchies over space, and interprets the foregoing spatially-related regulatory trajectories as manifestations of a transitory period of instability following the crisis of Fordism (Tickell, A. and Peck, J.A. 1992). The second concurs with the upgraded importance of the local space and social infrastructure for economic development and claims that the preceding socio-political trajectories are indications of an emerging coherent and consolidated post-Fordist mode of social regulation that relies on localised corporatist practices advanced at the local political level (Hall, T. and Hubbard, P. 1996, pp.160-1). The concept of 'governance' provides the analytical framework for the debate on the shifting role of the local political level.

'Governance' has emerged over the last two decades as a key term in the research fields of urban politics and political economy (see Pierre, J. 1998, p.3; Stoker, J. 1998; Campbell, J.L. et al. 1991). At a broad analytical level Leftwich, A. (1994) points that while the concept of 'government' refers to the formal institutional structure and location of authoritative decision making, "governance, refers to a looser and wider distribution of both internal and external political and economic power" (Leftwich, A. 1994, p.371). For Stoker, J. (1998) 'governance' takes into account, further than the institutions of government, the processes through which formalised government structures interact with the 'civil society' and the consequences of this mutual influence between society and state (Stoker, J. 1998, p.34).

Regarding the local political level, it is the perception that the power of urban government to influence the trajectories of local socio-economic development is increasingly conditioned by factors beyond the formalised institutional capacities of local government that the concept of urban governance addresses. As Harvey, D. notes, "while recognising the central facilitative and co-ordinating role of urban government, the real power to re-organise

urban life lies within a broader coalition of forces, mobilised by diverse social agents” (Harvey, D. 1989, p.6). In this context, Pierre, J. (1998), defines urban governance as a process through which local political institutions implement their programmes in concert with civil society actors and interests, an interaction which (potentially) allows these actors and interests to gain influence over urban politics (Pierre, J. 1998, p.5). Local authorities, according to this development, moderate or initiate co-operation with local actors with the aim of attracting financial resources into the area, decreasing fiscal dependence from the national level and advancing economic development processes (Mayer, M. 1994, pp.322-6; Logan, J.R. and Swanstorm, T. 1990, p.14).

However, whether the shift from ‘government’ to ‘governance’ and the enhancement of collaboration between local public, private and voluntary agencies, reflects an enhanced regulatory role for the local state is at the centre of the contrasting arguments delineated above (see also Imrie, R. and Raco, M. 1999).

### **2.3.1 Crisis and not a novel mode of social regulation**

Peck, J. and Tickell, A. (1994) argue that a significant part of the literature on the post-Fordist mode of regulation is based on a series of generalisations from changing conditions in production. In this analysis, the expanded role of supranational state institutions is understood as an attempt by the nation states to restrain the effects of the volatile international monetary environment by enhancing regulatory structures at a higher spatial level. Rather than constituting a supranational mode of social regulation, this development constitutes part of the regulatory problem<sup>36</sup> (Peck, J. and Tickell, A. 1994, p.299). Moreover, active local collaboration and the emergence of urban governance arrangements are approached as reflecting both the globalised context of economic activity and the neo-liberal restructuring of nation-state economic policies, a political response that “seeks to replace formalised legal regulation with regulation by the market” (Peck, J. and Tickell, A. 1994-b,

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<sup>36</sup>The strongest example used by Peck and Tickell in support of this argument comes from the Uruguay round of the GATT negotiations which took almost a decade to reach a resolution in a framework of proliferated bilateral negotiations (Peck, J. and Tickell, A. 1994, p.299).

pp.318-9). These trends result in and are enhanced by intensified competition between cities for the attraction of highly mobile investment. In the framework of neo-liberalism, however, the effect of territorial competition “has been to reduce the power of local and regional states, ...by bargaining away living standards and regulatory controls” in the pursuit of competitiveness (Peck, J. and Tickell, A. 1994, p.281; Peck, J. and Tickell, A. 1994-b, p.324).

The re-composition of the articulation of the geographical scales of economic and socio-political life is also detected by Swyngedouw, E. (1989, 1992). In his argument he stresses the presence of ‘glocalisation’ processes, a concept/neologism emphasising the combined movement of globalisation and local territorial reconfiguration (Swyngedouw, E. 1992, p.40). The increased prominence of local politics and the shift of the decision-making scale from the national to the local level are, for Swyngedouw, indications of attempts to construct regulatory mechanisms at the local level. In the context of global economic geographies and the declining discretionary powers of the nation-state, however, the new local institutional organisation is perceived as “a mere adaptive response to altered spatial (*economic*) conditions” (Swyngedouw, E. 1989, p.31). In the absence of national or international consensus and regulation, the devolution of regulatory structures at the local level indicates regulatory “fragmentation” and not locally constructed stable modes of development (Swyngedouw, E. 1992, p.57).

The reappearance of corporatism at more devolved levels is also linked for Budd, L. (1998) with the undermined legitimacy of the national basis of the Fordist mode of regulation. Local interest groups are engaging in concerted politics with local authorities, only in order to place their territory as a site across which international transactions will flow (Budd, L. 1998, p.677; see also Harvey, D. 1989, pp.11-2).

### **2.3.2 A new mode of social regulation that rests at the local level**

A number of arguments by writers influenced by the regulationist approach, present primarily in the writings of Jessop, B. (1992, 1994) and Mayer, M. (1992, 1994), identify in

the aforementioned socio-political developments strong tendencies towards the creation of a distinctive ensemble of regulatory practices that is reproducible in the medium term.

Jessop, in particular, employs a version of the post-Fordist development model regarding both accumulation and social regulation to proceed with an examination of the political implications of globalisation at the national and local level.

Drawing primarily from the examples of flexible specialisation production complexes and developments in the advanced service sectors, the ideal typical post-Fordist regime of accumulation is approached by Jessop through the synthesis of two analytical categories. First, a consolidated labour process model. This is based on multi-skill workforce and flexible machinery, micro-electronics, information and communication technologies and increased service sector employment. This pattern, in turn, addresses issues relevant to the Fordist crisis<sup>37</sup> and is capable of generating a distinctive mode of macro-economic growth, the second analytical category of the post-Fordist accumulation regime. The latter is founded on growing productivity based on economies of scope, rising incomes for skilled workers and the service class, increased demand for differentiated goods and services and the full utilisation of flexible capacity promoting further technological and organisational innovation (Jessop, B. 1992, p.62; Jessop, B. 1994, p.257-8).

Regarding the post-Fordist mode of regulation, a case is made for extended institutional change across the entire economic system, a trajectory summarised through the examination of developments in three particular areas. First, changes in the 'wage relation', with the emergence of enterprise or plant level collective bargaining and a renewed distinction between skilled and unskilled workers (see also Eisenschitz, A. and Gouch, J. 1998, p.765). Second, changes in the corporate organisation system, with a shift from hierarchical enterprise structures towards flexible organisation forms. These are able to respond quickly to volatile market conditions, manage interdependencies within and between firms and accommodate relations with outside consultants, specialists and subcontractors (see also Veltz, P. 1997,

p.79). Third, changes in the financial system regarding both the international circulation of money and credit and the limits put to state credit due to the volatility of the international exchange markets (Jessop, B. 1992, pp.63-4; Jessop, B. 1994, p.259).

What emerges from these processes, it is argued, is a structural transformation of the economic and social functions of the Keynesian welfare state. This corresponds to a double process of state restructuring regarding both the targets and form of nation-state intervention and the role of local policy in regulation dynamics (Jessop, B. 1994; Wilson, P.A. Moulaert, F. and Demaziere, C. 1997, p.248).

#### Transformations of the roles of the nation-state

Regarding the nation-state as a regulatory economic and socio-political space, the Keynesian objectives of domestic full employment and redistributive social policy are, in abstract terms, downplayed in favour of the strengthening of the structural competitiveness of the national economy (through the promotion of product, process, organisational and market innovation) and the productivist re-ordering of social policy towards labour market flexibility. This restructuring trend in national institutional priorities and policies - observed in advanced industrialised countries since the late 1970s - marks for Jessop a new reproducible settlement that schematically replaces the Keynesian welfare state by the 'Schumpeterian' workfare state<sup>38</sup> (Jessop, B. 1994, p.263). Other writers interpret the proliferation of financial deregulation policies, the tendency towards privatisation, the facilitation of inter-sectoral mobility and the introduction of internal markets in the public sector as indications of the 'neoliberal' framework that characterise the contemporary 'Schumpeterian' trajectories of public policies at the national level (see Eisenschitz, A. and Gouch, J. 1998, pp.761-2;

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<sup>37</sup> Such as the relative stagnation of Taylorism in terms of productivity increases, the alienation and resistance of the workforce, the relative saturation of the mass production markets and the competitive threats from low cost exporters from the third world.

<sup>38</sup> In reference to the emphasis put by neo-Schumpeterian approaches on the role of the socio-institutional framework regarding the diffusion of technology advances across the economy for the establishment of a new long-wave of growth, or a novel techno-economic paradigm. For an insight to the neo-Schumpeterian perspective see Perez, C. (1986); Freeman, C. and Perez, C. (1988); Amin, A. (1994), pp.11-3.

Preteceille, E. 1997, p.219; Goodwin, M. Duncan, S. and Halford, S. 1993, p.84; Imrie, R. and Thomas, H. 1994, pp.131-2).

The aforementioned developments indicate a redefinition of the roles and an enhancement of the regulatory functions of the nation-state - an action responsive to the parameters of a globalised economy (Autes, M. 1997, p.231). The re-composition of state functions from that of a significant provider of economic activity (in the framework of the Keynesian regulation of aggregate demand) to the major co-ordinator of economic action is demonstrated by two dominant policy shifts apparent in the major industrialised countries over the last two decades. First, by the introduction of complex government frameworks of regulation and intervention in the areas of taxation, investment rules and economic policies (see Goldsmith, M. 1988, p.29; Coffey, W.J. and Baily, A.S. 1992, p.859; Sassen, S. 1991, p.166; World Bank, 1997). Second, by the marked growth of state spending in OECD countries, as illustrated in figure 2.2.

In this context, the transferring of some state capacities to a growing number of pan-regional and supra-national bodies is approached by writers that view an emerging systemic coherence in post-Fordism as a regulatory adjustment facilitating new modes of regulation. Determined by the shift towards globalisation, this regulatory modification provides the nation-state with enhanced co-ordinating authority for the internationalised economic activity (see Jessop, B. 1994; Pickvance, C. and Preteceille, E. 1991; Level, W.F. 1997, p.35).

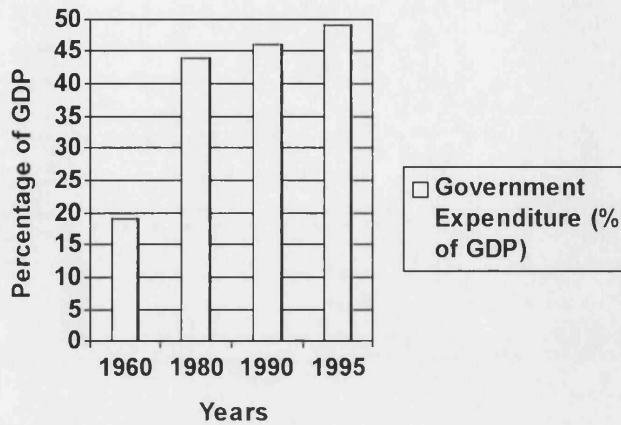
Further than the identification of institutionalised forms of economic arrangements reproducible in the medium term, central in the regulationist analysis of the Fordist (and thus, post-Fordist) mode of regulation is the social context in which economic reproduction occurs (Wilson, P.A. Moulaert, F. and Demaziere, C. 1997, p.248). Basing their argument on the 'localisation' thesis<sup>39</sup>, the upgraded importance of 'place' as a social and economic unit of production is seen here as an indication that the institutions, civil society and corporatist

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<sup>39</sup> Regarding the spatial implications of industrial restructuring as seen by the 'global cities' and 'industrial districts' literatures.



**Figure 2.2:** State Expenditure in OECD countries



Source: (World Bank, 1997, p.2).

relations which are instrumental for the social integration of post-Fordism occur increasingly at the local level (Mayer, M. 1994; Pickvance, C. and Preteceille, E. 1991, p.214; Jessop, B. 1994; Goodwin, M. Duncan, S. and Halford, S. 1993, p.84).

The re-ordering of state-economy relations in this dual - supranational and local - direction corresponds to what Jessop calls the 'hollowing out' of the nation state, a development that for Pickvance, C. and Preteceille, E. results from "the gap between the desire of national states to control their economies and their capacity to do so" (Jessop, B. 1992, pp.64-7; Jessop, 1994, p.264; Pickvance and Preteceille, 1991, p.215; Amin, A. 1994, p.28).

#### Corporatism at the local level: The redefinition of the roles of the local state

The reorganisation of public action at the urban government level is approached in the context of globalisation and the neoliberal restructuring of the regulatory role of the nation state. These processes, in turn, indicate a change in the structural orientation of local public policies from the political articulation of the nationally determined Fordist priorities of domestic full employment and collective consumption<sup>40</sup> to the 'construction of territorial specificities' aiming at enhancing the development potential of the locality (Preteceille, E.

1997, pp.219-20). This shift in direction is evident in two major interrelated policy trends, present across national and local particularities in the advanced industrialised countries.

First, as a result of the technological and social re-organisation of production as well as the decrease in central government grants since the mid 1970s, the effectiveness with which the local state organises the particular set of local conditions of production has gained importance. Economic intervention by the local level focuses on new business formation and small business expansion - emphasising indigenous skills, innovation and entrepreneurship - while more subsidies are targeted on the creation of local alliances with universities, chambers of commerce, local companies and unions (see Mayer, M. 1994, pp.317-9; Wilson, P.A. Moulaert, F. and Demaziere, C. 1997; Veltz, P. 1997).

Second, an expansion in the sphere of local political action is detected involving, as well as the local authorities, a range of private and semi-public actors. The Urban Development Corporations, Training and Enterprise Councils and growth promotion alliances are examples of this which, while established and supported outside the local authority, contribute essentially to the shaping of local policies<sup>41</sup> (see Mayer, M. 1992, p.259; Goodwin, M. Duncan, S. and Halford, S. 1993; Edwards, J. 1997, pp.829-30; Imrie, R. and Thomas, H. 1993). Contrary to the regulationist arguments that interpret the restructuring of urban governance as marking a “lessening”, or “decline” of local government, where local public powers and responsibilities are transferred to non-elected, non-accountable institutions<sup>42</sup>, this side of the debate notes a different dynamic: the central role of the local authority in the construction of a territorially specific system of social, community, professional, and

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<sup>40</sup> As indicated in the first part of the chapter and including, among others, the relocation of mass production industry, the provision of public services and local welfare state policies (Goodwin, M. and Painter, J. 1996, pp.641-2).

<sup>41</sup> Further examples of the evolving role of public-private and corporatist partnerships in local development can be seen, among others, in Judd, D. and Parkinson, M. (eds.), (1990), *North American and West European study on urban regeneration strategies*; Pickvance, C. and Preteceille, E. (eds.), (1991), *six countries study on urban restructuring*; Bennet, R.J. and Krebs, G. (1991) *comparative account of local public-private partnership developments in Britain and Germany*; Pierre, J. (ed.), (1998) *work on the concepts of urban governance and public-private partnerships with examples from Europe and North America*; Costonis, J.J. (1990) *argument on the enlarged role of citizen groups as active players in the local public-private development processes*; and Wilson, P.A. Moulaert, F. Demaziere, C. (1997) *review on the increasing importance of local initiatives and civil society involvement in urban development with examples from western Europe, north and Latin America*.

organised labour interaction. The new local governance, manifest in the proliferation of corporatist arrangements and processes at the local level, forms, according to these arguments, a key element of the unfolding 'post-Fordist' mode of regulation (Wilson, P.A. Moulaert, F. Demaziere, C. 1997, p.246; Eisenschitz, A. and Gough, J. 1998, p.762).

However, the neoliberal framework under which the revival of territory-based effects of interaction occurs indicates that the shifting role of urban government in articulating and regulating local economic and social relations functions primarily as a promoter of economic competitiveness. For Imrie and Thomas (1993), the shift towards the 'entrepreneurial' city<sup>43</sup>, with the subordination of social to economic and labour-market objectives, occurs irrespective of central government pressure to increase private sector influence in urban policy. It also constitutes a distinct local policy response to the internationalisation of economic activity where creating the "right business climate" is a strong prerequisite for the attraction of mobile investment (Imrie, R. and Thomas, H. 1993, p.9). The 'localised' promotion of economic development, in that sense, is seen as a key causal factor behind the breakdown of Fordism – replacing the 'one nation' policies and relative degree of national spatial coherence in Fordist regulation (Cochrane, A. 1993, p.95; Goodwin, M. and Painter, J. 1996, pp.645-6). More importantly, though, in the arguments that see an emerging systemic coherence in post-Fordism, urban entrepreneurialism is approached as a key structural characteristic and motivating force behind the local (and spatially differentiated) articulation of the post-Fordist mode of regulation (Jessop, B. 1994, p.272; Mayer, M. 1994, p.319). This qualitative restructuring of urban governance involves a three-sided process.

First, the aforementioned increase in the importance of non-state organisations or public agencies in the policy areas of urban renewal, physical development and in the provision of public services<sup>44</sup> (see Mayer, M. 1994, pp.319-20). The schematic shift from the

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<sup>42</sup> See Stoker, G. (1996), p.2; Goodwin, M. and Painter, J. (1996), p.636

<sup>43</sup> See Harvey, D. 1989.

<sup>44</sup> Regarding public services at the local level, emphasis is placed on their organisation being increasingly constructed on a competitive basis. This occurs either through the emergence of private markets in areas where the local state used to be the exclusive provider (e.g. in waste disposal), or

‘providing’ to the ‘enabling’ duties of the local state in service delivery and urban management is characteristically defined in a report by the Local Government Commission for England<sup>45</sup>. The emerging role of the local authority is delineated as “the principle body that allocates resources, sets standards and monitors performance while devolving day-to-day management responsibility to free-standing units or to external contractors” (Local Government Commission for England, 1993, Chapter 2, paragraph 33).

Second, the decline of local government spending for social consumption as a proportion of overall expenditure. What is stressed in the literature is that the diversion of resources towards entrepreneurial targets and the perceived needs of a favourable business environment, by taking place at the expense of local collective consumption and social welfare priorities, is a process that accentuates social and spatial polarisation, giving rise to ‘dual city’ phenomena<sup>46</sup> (Castells, M. 1989, p.347; Harvey, D. 1989, p.12; Swyngedouw, E. 1992, p.58).

Third, the quest for the local ‘construction’ of comparative socio-economic advantages for investment and employment stimulation relates as a process to increased competition between cities as locales for major economic transactions (Jensen-Butler, 1996, p.252-3).

The promotion of local economic development under the framework of ‘territorial’<sup>47</sup>, or ‘inter-urban competition’ contrasts sharply with Fordist urban policy aiming at ‘the city of collective consumption’ (Cheshire, P.C. and Gordon, I.R. 1995, pp.110 and 112-3; Harvey, D. 1989, pp.7-8; D’Arcy, E. and Keogh, G. 1988, p.1217). In this context, Harvey, D. (1989)<sup>48</sup>, identifies four ideal-typical categories of urban entrepreneurial action in the promotion of which the local level assumes a prominent role: first, competition amongst cities for the creation and exploitation of particular local advantages (resource base, location) in the

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through the changing role of the local state acting effectively as a private company (as in the area of housing maintenance) (Painter, J. 1991, p.41; Mayer, M. 1994, p.320).

<sup>45</sup> A non-departmental public body established in 1992 with the task of reviewing the boundaries of individual local authorities in England (Local Government Commission for England, 1997).

<sup>46</sup> The ‘Dual City’ concept refers to the transformation of urban social structure due to the polarising effects of new technologies on social stratification and income distribution. For an insight into the concept and empirical evidence from New York and Los Angeles see Castells, M. (1989), pp.172-228.

production of goods and services; second, competition for the redistribution of surpluses through central government;<sup>49</sup> third, over the acquisition of key control and command functions in high finance, government or information gathering and processing; and finally, competition over the improvement of the urban position with respect to the spatial division of consumption (tourism, sports stadia, convention and shopping centres) (Harvey, D. 1989, pp.8-10; see also Lever, W.F. 1999, p.1029).

### **Conclusion**

The review of the spatial implications of globalisation and the regulationist school debate on Fordism and post-Fordism, undertaken in this chapter, raised a number of particular and complementary points regarding the examination of uneven spatial development processes in the EU.

Analysis started with an outline of the post-war macro-economic regulatory order, also indicating the parameters of Fordist local level policies. Two issues were stressed at this stage. First, that the representative functions of the local state underpinned the broad national, socio-political compromises and corporatist organisations (Painter, J. 1991; Goodwin, M. and Painter, J. 1996). More importantly, though, it was secondly shown that the descriptive category of the term 'Fordism' incorporates a variety of nationally configured 'growth compromises' with unique institutional and spatial manifestations (Boyer, R. 1988).

In the discussion on the post-Fordist mode of regulation a number of regulationist writers pointed to the enhanced importance of the urban level as a social and economic unit of production, to suggest that the social integration of post-Fordism occurs increasingly at the local level (Jessop, B. 1994; Pickvance, C. and Preteceille, E, 1991). This is an on-going

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<sup>47</sup> A broader term that incorporates urban-regional economies in the analysis (see Cheshire and Gordon, 1995, p110; Bozzi, C. 1995, p.268; Benoit, S. 1995, p.222 ).

<sup>48</sup> Using examples from the USA, the UK and the Italian 'industrial districts'.

<sup>49</sup> See, for example, the case of the UK during the 1991-97 period where the emphasis on inter-urban competition and place marketing became the dominant culture in public sector resource allocation in urban policy, articulated through the introduction of competitive bidding initiatives such as the City Challenge (Oatley, N. and Lambert, C. 1998, pp.109-26), the Single Regeneration Budget (Oatley, N. 1998, pp.146-62), the Local and Sector Challenge, the City Pride (Williams, G. 1998, pp.163-80) and the National Lottery (Griffiths, R. 1998, pp.181-98).

debate. Other authors interpret the changing nature and characteristics of urban governance as transitory, seen as resulting from the crisis of Fordism and being incapable of providing “the foundation for a period of sustained accumulation” (Tickell, A. and Peck, J. 1996, p.399). Yet, both regulationist arguments concur on two issues. First, that the new modes of urban governance are “part and parcel” of switches in the mode of regulation at the international level. Second, that in the framework of neo-liberal responses of nation-state policies to industrial restructuring, localised relations of production and consumption generate uneven development: the institutional, corporatist and regulatory roles of urban governance shape local development prospects and account for current patterns of unbalanced growth (Hall, T. and Hubbard, P. 1996, pp.160-1).

The dominance of the nation-state in regulationist methodology indicates that a cross-national analysis of the diversity of Fordist accumulation-regulation couplings stops at the level of the nation state. There is no comparative regulationist theorisation of the role of the local level in the various national Fordist models. This diversity, however, is relevant to the examination of current urban development prospects in Europe as it elucidates the plurality of contexts for urban restructuring and governance.

Of the plurality of national Fordist variants<sup>50</sup> based on the ‘classic’ USA model, the concept of ‘peripheral Fordism’ denotes the structural similarities of the post-war development in Spain, Greece and Portugal (Lipietz, A. 1987). Moreover, it points to the distinct context of post-war urban governance in Southern Europe and the limited involvement of local authorities in corporatist arrangements (Hadjimichalis, C. and Papamichos, N. 1990). The increased significance of local regulation as a consequence of globalisation questions the capacity of the local authorities in Spain, Greece and Portugal to adjust their socio-political structures and advance competitive-oriented governance policies. In the context of the

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<sup>50</sup> Peck and Tickell, for instance, identify eight different national versions of Fordism, based on the ‘classic’ USA model. These include, amongst others, the ‘state Fordist’ model of France, indicating the dominant role of the state in creating and controlling industry. Also, the ‘flex-Fordism’ model of the former West Germany, pointing to the decentralised (federal) intervention of the state and the close co-operation between financial and industrial capital (see Tickell, A. and Peck, J. 1992, p.202).

integration processes in the EU, this diversity of urban restructuring modes in Europe relates to structural patterns of uneven urban competitiveness.

In order to gain an insight into the north-south dimension of urban competitive capacity and its relevance to current patterns of spatial dis-equilibrium in Europe, the next chapter explores the concept of inter-urban competition in the EU. It examines patterns of polarisation in the European urban system and advances a classification of factors and processes that influence urban competitiveness.

## **Chapter Three: Urban disparities and competition in the EU**

### **Introduction**

Based on the conceptual framework that suggests the increased importance of the urban socio-economic space in development prospects and the central role of urban governance in the formulation of place-specific competitive policies, the main aim of this chapter is to examine the empirical manifestations of urban restructuring processes. The focus of the examination is the EU level and, in particular, the impact of economic integration on the mode of urban restructuring and governance in the EU. Emphasis is placed on two issues. First, on the identification of the factors and processes that influence the competitive performance of cities in Europe. Second, on the patterns of change of the emerging European urban hierarchy as illustrated through the trends of urban growth concentration and polarisation. The chapter is organised in three parts:

- a) The first explores the urban manifestations of industrial restructuring in Europe as indicated by the changing urbanisation patterns of European cities. The emerging diversity of urban growth patterns and the particularity of the Southern European urbanisation process leads the analysis to the second area of examination.
- b) The identification and categorisation of the factors and processes that influence urban restructuring responses and the competitive attributes of cities. Also, drawing from the 'local economic initiatives' literature, the roles and functions of local authorities in advancing endogenous development are discussed.
- c) The last part explores the impact of European economic integration as a context influencing inter-urban competition and the competitive orientation of urban governance. The review of studies that rank European urban agglomerations reveals the north-south polarity of urban development prospects pointing to the necessity of exploring further the competitive capacity of European cities and Southern urban governance, in particular, in order to elucidate processes of uneven development in the EU.



### 3.1 Empirical evidence of urban resurgence and north-south differences

The increased importance of the urban territory in economic activity is indicated by the discernible degree of population (and employment) recentralisation experienced by almost half of the major Northern European cities during the 1980s as shown in table 3.1 (Cheshire, P. 1995, pp.1045-51).

Table 3.1: Urban population trends in Europe (1951-91)					
	Gaining	Losing		Gaining	Losing
<b>1951-61</b>			<b>1975-81</b>		
N. Europe	87	13	N. Europe	22	78
Fr. + N. It.	100	0	Fr. + N. It.	40	60
S. Europe	100	0	S. Europe	83	17
<b>1961-71</b>			<b>1981-91</b>		
N. Europe	65	35	N. Europe	47	53
Fr. + N. It.	100	0	Fr. + N. It.	48	52
S. Europe	96	4	S. Europe	56	44
<b>1971-75</b>					
N. Europe	38	62			
Fr. + N. It.	70	30			
S. Europe	93	7			

Note: North Europe includes Germany, Denmark, the UK and the Benelux countries, while Southern Europe incorporates Spain, Greece, Portugal, Ireland and Italy south of Rome.

Source: (Cheshire, P. 1995, p.1051).

The data on table 3.1, based on a study by Cheshire, P. (1995)<sup>1</sup>, points to the reversal of the dominant pattern towards urban decentralisation apparent in Northern European cities since the late 1960s. A closer examination of the evidence, however, indicates that this is not a universal trend amongst Northern cities, as was the case with the previous (regular) pattern of urban decentralisation. As emphasised in the study, “the pattern is that there is now a variation of patterns”, whereby some urban regions continue to decentralise while others experience relative centralisation (see Cheshire, 1995, pp.1045 and 1056-7). The significance of this unfolding process for the topic of this thesis corresponds to two interrelated areas of interest. The first refers to the contemporary validity of the arguments on the successive

<sup>1</sup> Cheshire’s examination of the European urban system is based on a 1988 study extended with the 1991 census results. Both the 1988 and 1995 examinations adopted the concept of the Functional Urban Regions (FURs) as the unit of analysis. Each FUR had a minimum population of 330,000 with 200,000 people living in the core. A commuting hinterland surrounding the core city was defined through the commuting patterns to the urban core, requiring the majority of the work flows to take place towards the core city of each unit (see also CEC, 1988, pp.9 and 33).

stages of urban development of the European urban system as proposed by the studies of Hall, P. and Hay, D. (1980) and Berg, L. et al, (1982). The second regards the north-south dimension of European urban diversity as shown in table 3.1 by the continuously dissimilar growth dynamics of Northern and Southern European cities since the early 1960s.

#### European patterns of urbanisation

The examinations of European patterns of urbanisation by Hall, P. and Hay, D. (1980) and Berg, L. et al (1982)<sup>2</sup> identified an urban life cycle composed of 3 principle stages of evolution, corresponding to phases of economic development of the respective cities, each with distinct spatial characteristics (Berg, L. et al. 1982, pp.35-7; Hall, P. and Hay, D. 1980, p.26). The first stage, 'urbanisation', indicates the growth of the FUR, with the population gains of the central city (or core) dominating those of the surrounding ring<sup>3</sup>. In the second stage, 'suburbanization', urban growth is passing outwards within metropolitan areas from the core to the suburban, ex-urban ring<sup>4</sup>. The third stage of the urban life cycle, 'des-urbanisation', indicates the absolute decline of population of the central city and its suburban commuting hinterland, an apparent trend in table 3.1 amongst Northern European countries in the post 1971 period, affecting in particular large agglomerations and older industrial centres (see Hall, P. and Hay, D. 1980, pp.27 and 184; Berg, L. et al. 1982, pp.25-9 and 30-4).

Diversities based on national and local socio-economic specificities regarding the transition of cities from one stage of urban development to another are acknowledged in these studies (see Berg, L. et al. 1982, p.49). What is stressed, however, is that the three stages of

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<sup>2</sup> The Hall and Hay study examined the urban population and employment trends in 15 Western European countries for the 1950-75 period. The basic unit for which statistical data were collected and analysed involved an urban core defined by a threshold of employment concentration of 20,000 jobs, and a hinterland, the definition of which was based on commuting patterns (see Hall, P. and Hay, D. 1980, pp.32-5). The Berg, L. et al study provided a statistical analysis of urban development in 14 Eastern and Western European countries for the 1950-75 period. The concept of the Functional Urban Regions was used, identifying a total of 189 urban centres with population of over 200,000 and delimiting zones dependent on those centres (Berg, L. et al. 1982, pp.55-9).

<sup>3</sup> The urbanisation phase is the spatial manifestation of industrialisation processes with its chronology varying from country to country depending on the local historical and economic situation (see Hall, P. and Hay, D. 1980, p.184; Berg, L. et al. 1982, pp.25-9).

<sup>4</sup> This phase - a dominant trend in Northern European countries from the post-war to the late 1960s - is the result of extended transport facilities that both widen the scope for residential location and permitted the spatial displacement of manufacturing away from the centre of cities (see Berg, L. et al. 1982, pp.30-4).

urban development are discernible at both the national and the sub-national level in Europe during the 1950-75 period. It is suggested, therefore, that “urban systems evolve according to a general pattern where urban growth is followed by urban sprawl and ends in decline” (Berg, L. et al. 1982, p.105). The absence of strong indications of decentralisation in Spanish, Greek and Portuguese cities in table 3.1 does not alter this assumption. Pointing to the fact that industrialisation processes occurred in Southern Europe during the post-war period both studies propose the argument that “Southern European countries are at an earlier (urban development) stage compared to the other countries under study” (Hall, P. and Hay, D. 1980, pp.129-30; Berg, L. et al. 1982, p.25).

#### Questioning the unified model of urban development: north-south divergence

An account of the break-up of the dominant pattern towards decentralisation in Northern Europe and the emergence of diverse patterns of urban growth has been provided by the ‘global cities’ and ‘industrial districts’ literatures that propounded the enhanced local socio-economic embeddedness of economic activity as a result of industrial restructuring processes (Piore, M.J. and Sabel, C.F. 1984; Pryke, M. and Lee, R. 1995). The emphasis placed in these arguments on the local physical as well as social facilities and infrastructures in determining economic prospects indicates the structural factors and processes that shape the variety of contemporary urban growth patterns in Northern Europe, substituting the schematic (but dominant) Fordist urban spatial regularities (Cheshire, P. 1995).

In this analytical framework, the dissimilar growth trajectories of cities in Spain, Greece and Portugal from those of Northern Europe since the post-war period denote the particularity of the economic and socio-political characteristics in these countries, influencing both the urban spatial forms and the context in which the local state was and is operating (Leontidou, L. 1990; Naylor, J. 1975; Syrett, S. 1995; Andrikopoulou, E. Getimis, P. and Kafkalas, G. 1992). Southern European cities do not display a dominant pattern towards decentralisation, as was the case with Northern European cities since the late 1960s. They continue to centralise, though at a slower rate, and call into question their categorisation in the

stages of the European urbanisation model propounded by the studies of Hall, P. and Hay, D. and Berg, L. et al. More importantly, though, the break-up of the urbanisation pattern in Northern Europe and the continuously distinct urban growth trajectories of Southern European cities indicate the structurally dissimilar urban impact of industrial restructuring processes in Northern and Southern Europe. This, in turn, points to the distinct context of urban political restructuring in Southern Europe towards entrepreneurially oriented governance policies.

For the examination of current processes of uneven development in the EU, the increased importance of urban socially integrated economic structures signifies the need for further analysis of local articulation of locally specific development paths. In this context, a categorisation of the economic and regulatory factors and processes that influence urban competitiveness is developed. This review will provide an insight into the different starting points at which European cities enter territorial competition and will provide the empirical frame of reference in which to approach the competitive ability of European cities and Southern urban governance in particular.

### **3.2 Factors and processes affecting urban competitiveness**

Studies of inter-urban competition - and particularly the ongoing Territorial Competition in the Single European Market (TeCSEM) research programme - have propounded a methodological distinction between the demand-side and supply-side aspects of local economic competitiveness (see Cheshire, P.C. and Gordon, I.R. 1995-a, p.x; Bozzi, C. 1995, p.272).

Demand-side studies examine the attributes which firms are seeking from a particular location in order to operate. In the case of Europe, demand-side studies examine the impact of economic integration on the investment decisions of firms, focusing on the shifting location preferences for investment (D'Arcy, E. and Keogh, G. 1998, p.1217).

Taking into account sector-specific differences, two European Community research programmes<sup>5</sup> identified the following factors as key determinants of demand-side aspects of territorial competition:

- a) Accessibility, namely, public and private transportation infrastructure (highways, railways, airports, passenger and freight transport), and adequate telecommunication systems.
- b) Cost related issues (land, factory and office buildings property costs, wage costs, income and corporate taxes and charges).
- c) Proximity to a variety of service activities (clients, suppliers, subcontractors, information sources, potential partners, R&T laboratories).
- d) Standard of living/quality of life (regarding primarily employment rate and productivity issues, but involving also non-pecuniary influences on the quality of life).
- e) Availability of qualified labour (Begg, I. 1999, pp.799-803; Fridén, L. 1995, p.153; Cheshire and Gordon, I.R. 1995-b, p.95; Senn, L. 1995, pp.136-8; CEC, 1990, p.40).

As noted, however, investment decisions are influenced by a combination of locational factors which, because they characterise a territory for all actors, operate as public goods. Most locational factors influencing investment decisions, therefore, can be provided or at least modified by local actors, who function as producers of public goods (Benoit, S. 1995, p.223; Begg, I. 1999, p.804). Supply-side studies of territorial competition examine aspects of the local administrative and primarily economic characteristics that shape (limit or promote) urban competitiveness and also the regulatory action of local agents in their attempt to modify the competitive attributes of cities (D'Arcy, E. and Keogh, G. 1988, p.1217; Cheshire, P.C. and Gordon, I.R. 1995-a, p.x).

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<sup>5</sup> The aforementioned TeCSEM and the CEC (1990) study titled: 'An Empirical Assessment of Factors Shaping Regional Competitiveness in Problem Regions', prepared for the Commission by the IFO-Institute for Economic Research.

In this context, a number of parameters are stressed as capable of influencing the attempts by local actors to attract investment and promote economic development, attesting to the diverse starting points of cities engaging in effective territorial competition policies:

a) The presence of adequate local authority financial resources facilitating extensive economic intervention and activities. Issues of local financial autonomy and dependency on central support, as well as the impact of economic recession on the local authority budget are part of this factor<sup>6</sup> (see CEC, 1986, p.31).

b) The technical, administrative and organisational capacity of the local authorities as determinants of the attempts to promote endogenous development strategies (CEC, 1986, p.34; Syrett, S. 1995, p.149)

c) The particular local resources (natural, human, locational) at the disposal of the local state as determinants of local advantages for effective competitive responses (CEC, 1990, pp.6-7; Harvey, D. 1989, p.10).

d) National factors, both macroeconomic and qualitative characteristics of the economic environment, such as the system of industrial relations, the training infrastructure, the efficacy of the capital market or the regulatory framework, diffusion of new technology, help for innovation, capital subsidies (CEC, 1990, pp.2 and 40; Begg, I. Lansbury, M. and Mayes, D.G. 1995, p.182-3).

e) The correspondence between the administrative boundaries of a locality and that of its 'Functional Urban Region'<sup>7</sup>. Constraints may be faced at the local political level in the promotion of effective and co-ordinated economic partnerships and competitive policies due to administrative fragmentation, or the absence of functional relationships between local administrative tiers. Co-ordination is required both between programmes affecting a particular

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<sup>6</sup> To the extent that local revenue is dependent on local business taxes, for instance, financial restrictions might occur in periods of recession and reductions in firms' profits and turnover. Also, to the extent that the local level is responsible for social welfare payments, there is added expenditure in periods of economic downturn, limiting, therefore, the availability of local finances for economic initiatives (CEC, 1986, pp.31-2).

<sup>7</sup> The Functional Urban Region constitutes an operational abstract concept relating to an idealised complete individual urban system. As a spatial unit for which statistical data are collected it contains

area and between adjacent areas with common interests in order to ensure that spillover effects are accommodated and duplication avoided (Bramazza, I. and Gorla, G. 1995, p.115; Cheshire, P.C. and Gordon, I.R. 1995, pp.115-6; Bozzi, C. 1995, p.269).

f) The economic history of the territory and the constraints it imposes on the choices and flexibility of strategies pursued. It is suggested that the attraction of a specific type of firm in the past affects the types of firms an area is able to attract and, thus, its ability to pursue new development strategies (Begg, I. 1999, pp.799-800; Benoit, S. 1995, p.226).

g) The mix and timing of entrepreneurial strategies, as well as the strength with which competition is promoted at the national and international level (Begg, I. 1999, p.805). The impact of European integration, for instance, is approached in the literature as a context shaping the competitive strategies of the constituent cities (Harvey, D. 1989, p.10; Budd, L. 1998, p.673; Cheshire, P.C. and Gordon, I.R. 1995, pp.115-7).

Further than the above factors, the presence of particular processes are identified, pointing to the role of the local authorities as the very medium through which regulatory practices and competitive policies are formed and delivered (Goodwin, M. Duncan, S. and Halford, S. 1993, p.67). These include:

a) The political/constitutional powers of the local level, indicating that corporatism as the organisational basis for successful public-private partnerships for competitive activity is likely to be promoted where decentralisation or devolution of responsibilities and local financial autonomy is found (Budd, L. 1998, p.669; CEC, 1986, p.34). Furthermore, decentralisation of political-administrative structures relates to the knowledge of local priorities connoting better customisation of policy instruments and is approached as a prerequisite for the establishment of local networks and institutions which have a direct interest in the success of local development programmes (Begg, I. Lansbury, M. and Mayes, D.G. 1995, pp.187-8).

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the urban core (defined in terms of employment concentration) and the commuting hinterland (CEC, 1988, p.271).

b) The representation in local decision making structures of lead agencies from the private sector with interests in the local economy. The allocation of private sector resources to competition policies without severe constraints from superior tiers of administration is also a parameter that is stressed. The prime example here are the chambers of commerce of the larger German cities which with compulsory membership, legally defined responsibilities and direct representation in Brussels are portrayed as strong agents in promoting local initiatives (Begg, I. Lansbury, L. and Mayes, G. 1995, p.192; Cheshire, P.C. and Gordon, I.R. 1995, pp.115-6).

c) The potential for the generation of positive or negative change in the local economy (and local perceptions of it) as an incentive to engage in territorial competition. For the case of Europe, integration is expected to produce most potential gains for the comparatively strongest urban regions rather than lagging ones, an indication of the diverse starting points of localities in competition policies (CEC, 1990, p.10; Cheshire, P. 1999, pp.845 and 856).

d) The presence of a strong cultural or political identity in the locality, capable of generating complementary interests among the local actors and assisting, this way, the co-operation of different agencies. The case of Barcelona during the 1980s is an example where the unifying cultural identity of the Catalans assisted the co-operation between the urban (under socialist political control) and the regional (under conservative/nationalist control) administrative levels despite their differences in political orientation (Cheshire, P.C. and Gordon, I.R. 1995, p.120).

e) A detailed and comprehensive vision of future development without which policy elements may be uncoordinated, or even contradictory. As Berg, L. and Klink, A. note, the product 'town' is open to various interpretations. Together, associations develop the 'image' of the town, a policy framework which aims at influencing the attractiveness of separately identifiable urban products, such as office locations, industrial estates, harbour facilities and tourist areas (Berg, L. and Klink, A. 1995, p.212).



These factors and processes provide a schematic representation of the broader context for the development of successful competitive-oriented policies. Based primarily on the example of the industrial districts of the Third Italy, the literature on 'local economic initiatives' and 'endogenous development' identifies and categorises the roles and regulatory functions of the local state regarding the competitive promotion of the urban territory. A summary of these includes:

- a) The construction of infrastructure designed to make the area more locationally attractive for investment and favourable to the establishment and growth of local economic initiatives (CEC, 1986, pp.5-6; Budd, L. 1998).
- b) Acting as an agent of central government in the local adaptation, co-ordination and delivery of national socio-economic programmes. National employment schemes and policies implemented at the local level are an example of this action (see CEC, 1986, pp.2 and 16).
- c) Acting as a 'catalyst' and regulator in bringing together local interests. This involves, among other things, the organisation of exchanges between local entrepreneurs, educational, scientific and financial institutions, and the support of local projects through the relevant public services (Begg, I. 1999, p.806; CEC, 1986, p.2).
- d) Promoting the organisation of local markets and the creation of export services for local products (Quevit, M. 1986 in Vasquez-Barquero, A. 1992, p.115).
- e) Assisting the creation of appropriate local institutions that balance competition and co-operation among local firms. This may involve the following indicative measures that encourage local firms to compete through the introduction of new products and processes, rather than through the reduction of wages: i) vocational training schools (that could identify and train possible entrepreneurs), ii) the introduction of quality control systems, and iii) controls over the working day (Garofoli, G. 1992, p.10-1).
- f) Intervention in social issues (system of insurance against unemployment, assistance in housing, institutions for the prevention of accidents at work) with the objective of

strengthening the community atmosphere and maintaining the local conditions of development (see Garofoli, G. 1992, pp.10-1).

### **3.3.1 The European context**

The Single European Market is approached by the relevant literature as a processes that intensifies competition between European cities (CEC, 1999-g, p.14). Particular aspects of economic integration trajectories are identified as having an influence on the emerging competitive orientation of the European urban level.

While the early phases of economic integration affected trade in goods, for instance, the removal of non-tariff barriers to trade in services is expected to have a substantial impact on European cities (Cheshire, P. 1999, p.856). Seen in conjunction with processes of industrial restructuring, integration in services minimises further the degree of governmental protection of the markets of urban agglomerations. It reduces the degree of monopoly that European cities have enjoyed within their national economic systems affecting especially the comparative advantages of cities with financial service sectors that specialised in activities with low rate of external exposure<sup>8</sup> (Gordon, I.R. 1995, p.296; Bozzi, C. 1995, p.267).

Furthermore, companies are increasingly restructuring their business organisation in order to serve the European market rather than a set of national markets (Cheshire, P.C. and Gordon, I.R. 1995, p.111). The spatial reorganisation of production in Europe relates primarily to the harmonisation and alignments of regulations among the European states, a trend that gradually replaces the heterogeneous and internally fragmented European regulatory order that existed before 1992. It is also relevant to the introduction of physical infrastructure promoted by the EU (long-distance transport for commodities, extension of motorway systems, high-speed passenger trains and advanced telecommunication networks) aiming to utilise the scale of the emerging European market (CEC, 1994-d, p.16). Spatial changes in the European production system are manifested through the proliferation of small-firm clusters, as

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<sup>8</sup> An indication of the relation between the economic functions of cities and their national economies in the period preceding the Single European Act comes from the Nomura Survey of International Cities

the examples from the industrial districts have illustrated. Industrial restructuring is evident through the adoption of corporate Europe-wide marketing and advertising campaigns, the concentration of manufacturing plants, national headquarters, logistic and R&D centres at the expense of national subsidiaries, and increasing organisational concentration through acquisitions, mergers and take-overs during the 1990s<sup>9</sup> (see Bramezza, I. and Gorla, G. 1995, p.99; Cheshire, P. 1999, p.857; Nilsson, J.E. and Schamp, E.W. 1996, p.124).

These developments, in turn, point to a prospective restructuring of the European urban system from a set of distinct national formations to a single integrated urban configuration (Wegener, M. and Kunzman, K.R. 1996, p.7). Two conceptual categories relate directly to the analysis of the impact of the Single European Market on the evolution of the European urban system. The first incorporates the notions of 'inter-urban competition' and 'zero sum game', while the second summarises particular urban restructuring modes under the term of 'urban networking'.

#### Inter-urban competition as a 'zero-sum' activity

The diminution of national spatial monopolies and the emerging distributions of economic activities at a European scale, means that the growth prospects of the European cities will increasingly depend on their comparative advantages to attract investment and generate local development opportunities (Wegener, M. and Kunzmann, K.R. 1996, p.11; Cheshire, P.C. and Gordon, I.R. 1995, p.111-3). In this context, the concept of the 'zero-sum game' signifies the given and constant nature of resources to be distributed among participants engaging in a competitive process<sup>10</sup> (Sheppard, E. and Barnes, T.J. 1990, pp.219 and 310).

For Harvey, urban entrepreneurialism is embedded in a framework of zero-sum inter-urban competition for resources, jobs and investment in which as many cities lose as gain in

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which identified 12 first rank cities in Europe, as opposed to eight in the USA and three in Canada (Cheshire, P.C. and Gordon, I.R. 1995, p.109).

<sup>9</sup> Examples of the restructuring of the Europe industry - regarding both corporations which start from different European home markets and from overseas (US, Canada, Japan) - can be seen in Nilsson, J.E. and Schamp, E.W. (1996), pp.126-7; Cheshire, P.C. and Gordon, I.R. (1995), p.111.

<sup>10</sup> In game theory the term 'zero sum' is contrasted with the notion of the 'variable-sum', where total resources to be distributed among the participants change - either increase or decrease - as a result of the very process of competition (Sheppard, E. and Barnes, T.J. 1990, p.219).

the process, furthering, this way, the potential of uneven geographical development (Harvey, D. 1989, p.5; Harvey, D. 1989-b, p.275). Cheshire and Gordon (1995), while recognising that localities launching successful urban competitive strategies may gain at the expense of unsuccessful ones, point to the difficulty of making a clear distinction between zero-sum and growth enhancing policies. By stressing the importance of identifying the perspective through which competition is viewed, they indicate that territorial competition can be regarded as a capacity-building and growth enhancing policy-orientation for the successful urban regions (Cheshire, P.C. and Gordon, I.R. 1995, pp.122-3). Yet, these writers, as well as a number of other commentators, interpret territorial competition as a zero-sum exercise for the spatial development prospects of the EU. Under this analytical perspective, territorial competition is approached as an activity that does not generate overall growth in the EU engendering the risks of increasing socio-economic disparities, a trend recognised also in EU spatial policy documents (CEC, 1999-g, p.14; Dematteis, G. 1996; Wegener, M. and Kunzmann, K.R. 1996, pp.11-2).

#### Urban networking

The second conceptual category relevant to the impact of the Single Market on the European urban system focuses on the development of novel horizontal links between cities. A key aspect of urban 'networking' is the weakening of the nationally defined urban interdependencies and their gradual evolution towards a Europe-wide urban structure (Pumain, D. and Saint-Julien, T. 1996, p.2). Influenced by the introduction of advanced telecommunications and high-speed transport infrastructure aiming to serve the European market, the 'networking' trend is approached in the literature as an urban governance response to the spatial dispersal of economic activities and is based on specialised synergies and complementary relationships between European cities (see Cattan, N. 1996, pp.245-7; Berg, L. and Klink, H.A. 1995, pp.215-8).

There is an increasing number of formalised urban networking initiatives including: 'Eurocities', representing the interests of 45 cities across Europe; the 'Union of Capital

Cities'; the 'Commission des Villes', with a membership of more than 50 small and medium-sized cities; and the 'Eurometropolis Club' that represents 20 urban agglomerations incorporating commerce, university, port and airport authorities and research institutions (see Camhis, M. and Fox, S. 1993, pp.100-2). Moreover, the European Commission has been promoting, since the 1988 reform of the Structural Funds a range of urban networking programmes with the aim of promoting socio-economic development and cohesion through joint projects and technology transfers (CEC, 1995). The RECITE programme - to be explored in detail in chapter 7 - is the most prominent case among the current EU urban networks (CEC, 1995, p.3).

These formalised urban networks constitute examples of increasing inter-relationship amongst cities, part of the dynamics towards the formation of a European urban system. They reflect both the opportunities for development through co-operation that are created in the internal market and the necessity of strengthening the complementary functions of cities in the light of intensified territorial competition (CEC, 1999-g, pp.64-5; Camhis, M. and Fox, S. 1993, p.100; Grasland, L. and Jensen-Butler, C. 1997, pp.49-50).

More importantly though, the networking trend indicates that the emerging European urban hierarchy is formed on the basis of the capacity of European cities to adjust their functions, range of economic activities and governance structures in order to utilise the developing European economic space (CEC, 1999-g, p.65; Berg, L. and Klink, A. 1995). Urban networking - presented as a trend analogous to structural partnerships of companies in the private sector - depends not on the geographical centrality of a place, but on the quality of its functions (Berg, L. and Klink, H.A. 1995, pp.215 and 219; Dematteis, G. 1999, pp.4-5).

The participation of cities in formal and - increasingly relevant - informal urban networking arrangements and functional interdependencies indicates the level of integration of the urban economy in the developing European structures and, consequently, marks the degree of local competitiveness and the urban prospects for development (Berg, L. and Klink, H.A. 1995, pp.219-20). The different competitive advantages of cities in Europe and their dissimilar governance capacity to promote policies aiming at the utilisation of the integrating

European economic space is illustrated next through a review of studies examining urban socio-economic prospects in Europe.

### **3.3.2 Changing European urban hierarchy**

There are a number of studies that try to rank European urban agglomerations and assess the impact of economic integration on urban economies and on the European urban hierarchy (see CEC, 1988; Cheshire, P.C. 1990, 1996 and 1999; Hall, P. 1992; Meijer, M. 1993; Rozenblat, C. and Pumain, D. 1993; Wegener, M. 1995; Lever, W.F. 1993 and 1999). The findings of these examinations provide evidence of the 'zero sum' framework of inter-urban competition in Europe as they point to spatial polarisation as the dominant trend of the emerging European urban system (Cheshire, P. 1999, pp.846-55).

Hall, P. (1992), for instance, basing his study on the RECLUS-DATAR project<sup>11</sup>, argues that European cities with high competitive advantages have a central location within the Community and form a schematic arc, called graphically the 'blue banana'. This extends from London to Milan and encompasses cities such as Paris, Brussels, Amsterdam, Cologne, Frankfurt and Munich. It is these cities, specialised in high technology manufacture, information processing and advanced service activities which should guarantee continuous growth in the process of economic integration, as opposed to 'peripheral' cities that cannot avail themselves of such advantages (Hall, P. 1992, pp.162-5).

Similarly, Cheshire's study (1990), concentrated on a number of data families including unemployment, GDP per capita, immigration and an index of travel demand for the 1971-88 period in order to rank 117 European cities. Although the ranking is transnational, the national influences in the emerging European urban hierarchy are evident (see also Lever, W.F. 1999, p.1035). Thus, almost half of the top 30 cities are German while most of the other cities in the high ranks are concentrated in central Europe (Brussels, Amsterdam, Paris, and

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<sup>11</sup>The French RECLUS-DATAR project attempts a classification of 165 urban agglomerations using 16 indicators. These include population change, presence of multinational corporations, R.T.D., number and activities of universities, cultural activities, strength of financial services, as well as transportation and telecommunications infrastructure (Brunet, R. 1989; see also Wegener, M. 1995, pp.143-4 and 146).

Antwerp), or in Northern Italy (Venice, Florence, Bologna, Milan). For Cheshire this is an indication that “cities exist within their national economic and social context and, thus, a major influence of their state of health is the state of the national economy” (Cheshire, P.C. 1990, pp.328-9; Cattan, N. 1996, p.244).

The second observation of this project corresponds to a north-south distinction of urban problem areas in Europe. Northern European cities<sup>12</sup> exhibiting population decline and de-industrialisation form a separate category from the problem cities of Spain, Portugal and Greece. The latter, situated largely in impoverished and backward economies, are approached as problem areas due to continuing rural-urban migration and unregulated urban growth (Cheshire, P.C. 1990, p.331; see also Lever, W.F. 1999, p.1040). Subsequent studies by the same author did not essentially modify these results, despite the detection of ‘near periphery’ urban regions with high growth rates during the 1990s (Veneto, Toulouse, Nantes, Catalonia, Valencia), (Cheshire, P. and Carbonaro, G. 1996; Cheshire, P. 1999, p.849).

Regarding the effects of intensified territorial competition on the changing European urban hierarchy, these examinations point to the enhanced local incentive to engage in competitive policies found in areas with high potential gains from the integration process (Cheshire, P. 1999, pp.855-8). It is suggested, therefore, that increased competition between localities results in further sharp improvements in service-oriented cities in the parts of Europe that gain from European integration and engage further in competitive policies (core and near periphery), matched by losses in the periphery (Cheshire P. 1999, p.861).

The identification of a developing core-periphery dual structure in the European urban system corresponds to particular geographical configurations, with north-south polarisation featuring as the most prominent (Wegener, M. and Kunzmann, K.R. 1996, pp.12-3; Lever, W.F. 1999, pp.1033-4). The urban centrality (core) in the European urban system is defined by a concentration of more than half of the growing cities of the Community in 20 per cent of its surface area (CEC, 1999-g, p.8; Dematteis, G. 1996, p.19). The placement of the majority

of the cities of Spain, Greece and Portugal on the peripheral belt of urban Europe is further emphasised in the following projects.

Evidence of the north-south dimension of urban disparities in Europe were provided by the Equipe P.A.R.I.S. (1994)<sup>13</sup> project which attempted the measurement and classification of the major European cities on the basis of their competitive capacity (see Grasland, L. and Jensen-Butler, C. 1997, pp.55-66). Table 3.2, constitutes a summary of the Equipe P.A.R.I.S. examination of the European urban system that took into account the economic activities and growth of cities, the flows they exchange and the firms they attract (Cattan, N. 1996, pp243-4). The composition of the fifth and sixth aggregate in the table mostly by urban agglomerations from Spain, Greece and Portugal signifies their lagging position in economic development and growth prospects if compared with the cities of the upper clusters that exhibit an internationalised orientation in economic activities and a diversified economic base. The majority of Southern European cities display a tertiary sector without marked specialisation, poor quality of life, poor accessibility by air and weak international orientation indicators. These factors, in turn, were identified in the demand-side studies of territorial competition as key regarding the attributes firms are seeking from a location in which to operate. The fact that these cities are also situated in areas with low relative gains from the integration process indicates the restrained local incentive to engage in territorial competition activities, perpetuating their peripheral status (Cheshire, P. 1999, p.858).

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<sup>12</sup> Concentrated in a band running from Genoa and Torino in north-east Italy, through eastern France, the Ruhr and Southern Belgium, north-west through the British isles to Glasgow and Belfast (Cheshire, P.C. 1990, p.331).

<sup>13</sup> Cattan, N. Pumain, D. Rozenblat, C. and Saint-Julien, T. (1994).



**Table 3.2: Classification of European cities**

<b>Type of metropolitan area</b>	<b>Concentration of decision making</b>	<b>Concentration of multi national corporate headquarter</b>	<b>Diversified economic base</b>	<b>Specialised economic base</b>	<b>Tertiary sector without marked specialisation/ Poor quality of life</b>	<b>Poor accessibility by air</b>
<b>Dominant international metropolis</b>	London Paris					
<b>International metropolis with specialised functions</b>		Amsterdam Dusseldorf Frankfurt Hamburg Munich				
<b>Regional metropolis with strong international orientation</b>			Antwerp Bremen Hanover Cologne-Bonn Lyons Marseilles Nuremberg Rotterdam Stuttgard	Bologna Bristol Nice	Florence Manchester Naples Rome Midlands	
<b>National metropolis towards internationalisation</b>					Barcelona Madrid Milan	
<b>Regional peripheral metropolis with weak international orientation</b>		Eindhoven Clemont-Ferrand	Bordeaux Nantes Toulouse	Edinburgh Innsbruck Munster Southampton	Athens Bilbao Lille Lisbon Palermo Oporto Seville Salonika Genoa Glasgow Linz Malaga Turin Tyneside Valencia Venice	Montpellier Plymouth Granada Grenoble
<b>Regional metropolis with weak international orientation and highly specialised</b>				Cardiff	Alicante Bari Catania Liege West Yorkshire Saragossa	Murcia Pamplona Rennes Saint-Etienne Valladolid Toulon Kiel Corunna La Havre San Sebastian Santander Vigo

Source: Equipe P.A.R.I.S. (1993), in Grasland, L. and Jensen-Butler, C. (1997), pp.60-1.

The emergence since the late 1980s of a second trans-national European urban core bordering the Mediterranean and exhibiting rapid economic growth indicators in advanced sectors does not alter the major north-south divergence of urban economic performance and growth prospects. The new core covers the industrialised Alpine, Mediterranean and Southern German areas through a schematic arc extending from Milan to Barcelona and - in some studies - Valencia (see Lever, W.F 1999, p.1042; Cheshire, P. 1999, p.849). It does not include any cities from Greece or Portugal as well as the majority of urban areas in Spain (see CEC, 1992-e, pp.49-51; Meijer, M. 1993, pp.981-4).

### **Conclusion**

The enhanced urban socio-economic embeddedness of economic activity has been demonstrated by the reversal since the 1980s of the dominant hypothesis towards decentralisation in Northern European cities. Two major aspects of the urban life-cycle were detected as relevant to the examination of uneven development processes in the EU.

First, that Northern European cities follow a variety of urban growth trajectories, with some urban regions experiencing re-centralisation while others continue to decentralise (Cheshire, P. 1995). Central in the explanation of this variation was the argument for the increased importance of the local socio-cultural and institutional infrastructure, as described by the 'global cities' and 'industrial districts' literatures (Piore, M.J. and Sabel, C.F. 1984; Sassen, S. 1991). As discussed in the relevant debates, current urban development prospects disengage from the Fordist spatial regularities and reflect distinct local characteristics that determine the growth potential (Hirst, P. and Zeitlin, J. 1991; Scott, A.J. 1988-a).

Second, the particularity of the urban life-cycle in Spain, Greece and Portugal, was noted throughout the post-war period. The divergence of urbanisation processes in Southern Europe from the dominant Northern European pattern(s) suggests the comparatively distinct urban articulation of industrial restructuring in these countries (Leontidou, L. 1990; Naylor, J. 1975; Syrett, S. 1995; Andrikopoulou, E. Getimis, P. and Kafkalas, G. 1992).

The review of studies on the changing hierarchy of the emerging European urban system attested to the polarised tendencies of urban Europe and the north-south dimension of urban disparities and growth prospects. In fact, urban networking arrangements - indicating an adjustment of urban economic structures and governance orientation towards the European level - were identified only in the core area of the Community (Dematteis, G. 1996, p.24). The absence of similar indications for Spanish, Greek and Portuguese cities illustrates the limited integration of the urban economies in these countries into the emerging European network (Dematteis, G. 1999, pp.11-2). Moreover, it points to the limited nature of urban governance responses towards the utilisation of the European economic space.

The next part of the thesis - chapters 4 and 5 - sheds light on the north-south pattern of disparities and governance orientation in urban Europe. Chapter four is based on the classification provided by the territorial competition literature of the factors and processes that influence the attempts by local actors to promote economic development. It conducts a cross-national comparative examination of the competitive attributes of urban structures and policy-making contexts. North-south differences in urban characteristics of competitiveness is attested to in this chapter, yet the causal mechanisms accounting for this diversity are not addressed in the 'territorial competition' debate. Chapter 5, in turn, inquires into the reasons behind the lagging regulatory functions and competitive profile of cities in Spain, Greece and Portugal. It explores the characteristics of the Southern European urbanisation process as a structural context influencing the ability of the local state in Southern Europe to restructure and advance entrepreneurial urban governance policies.

## **Chapter Four:**

### **Institutional and administrative structure of local authorities in the EU**

#### **Introduction**

Aiming to shed light on the emerging European urban hierarchy and the north-south dimension of urban disparities, this chapter provides an overview of the plurality of the European institutional, administrative, fiscal and legislative urban policy contexts.

There are a number of studies that examine the administrative and financial structures of European cities. However, these fall into two main categories: they either focus on one aspect of urban Europe - primarily on issues of local economic autonomy and service delivery (see Council of Europe 1988 and 1995-b and 1996 and 1997) - or they are not directly comparative. In the second case, they tend towards a descriptive (individualised) presentation of the urban level, on a country by country basis (Harloff, E.M. 1987; Batley and Stoker, 1991; Berg, L. 1999). A third category of relevant literature does examine comparatively the diversity of European urban structures. Yet, such attempts focus on a limited number of EU countries (see Page and Goldsmith, 1987; Page, 1991). The comparative analysis of EU urban structures advanced in this chapter is direct and covers all EU member states. The framework and indicators for comparison are provided by the 'territorial competition' literature (Cheshire, P. and Gordon, I. 1995; Begg, I. Lansbury, M. and Mayes, D.G. 1995).

As noted in studies on 'inter-urban' competition, local administrative and economic structures reflect the capacity or limitations of the local entrepreneurial profile. The degree of centralisation of the national administrative framework, the financial autonomy and the degree of professionalism of the local level, are all indicators of urban competitiveness. This chapter brings together information on these factors and elucidates the different starting points from which European cities engage in territorial competition policies. It highlights the extent of the lagging urban structures - with respect to the EU norm - in Spain, Greece and Portugal. In that sense, it illustrates the necessity for a more sophisticated analysis of urban restructuring

patterns in Southern Europe in order to enhance understanding of the causes behind the underdevelopment of urban indicators of competitiveness in Spain, Greece and Portugal.

Cross-national comparisons, however, present an inherent difficulty. The inevitable high level of abstraction used in such exercises passes over much relevant information. In the case of European local government, the reduction of the comparison to a limited, comparable number of factors and local government functions decreases the scale of complexity allowing analogy to take place, but also hides particular sets of relations of interests in the countries in question (see Pickvance, C.G. 1986, p.66). This complexity is acknowledged here. Yet, with the selected areas of comparison, although limited in many respects, the objective is to direct the review and to address and document the most prominent contrasts in European urban structures and policy-formation contexts.

This examination generates comparison by focusing on two major areas. The first corresponds to the structures that regulate central-local relations and determine the local authorities' range of powers. Comparison here will be straightforward involving cross-examination of: a) the territorial and population scale of the municipal level of local administration; b) the sources of funding and the picture of local financial autonomy; and, c) the legal and fiscal capacity of the local states to deliver services and engage in economic activities.

The second area of the review points to a less narrow dimension of the urban profile. At this stage, the administrative opportunities or constraints that define the local authority's actions at a pragmatic level will be juxtaposed with issues that bear equal weight in shaping the degree of urban competitiveness. Cross-examination focuses on the diversity of executive structures of the European local authorities. It explores the relationship between the administrative and political levels of the local state and sheds light on the nature of urban leadership and the level of professionalism of the local bureaucracies.

The third and concluding part of the chapter recapitulates the main points of the inquiry and explores the causal (historical, political) reasons that influence the distinctiveness and plurality of European urban administrative systems.

## **4.1: Local authority powers and responsibilities**

### **4.1.1 Population scale**

In approaching the factors that provide an indication of the comparative degree of efficiency of local administration across the EU, territorial scale and population size take a prominent role.

Regarding the first indicator, emphasis is placed in the literature on the relationship between the administrative boundaries of a locality and the urban 'activity space', the broader area of economic and social influence of the city<sup>1</sup> (see Hall, P. and Hay, D. 1980, pp.3-6). It is argued that administrative boundaries should relate to and articulate activity spaces as this produces clearer lines of representation of local interests and improved citizen participation (Cheshire, P. and Gordon, I. 1995, p.115). Also, as discussed in chapter 3, constraints may be faced by local authorities in the promotion of effective and co-ordinated economic partnerships and competitive policies due to administrative fragmentation (Begg, I. Lansbury, M. and Mayes, D.G. 1995, p.187). Moreover, large administrative units are presented as comparatively cost-efficient in the delivery of services because of the (potential) benefits accruing from the generation of economies of scale (see Bennett, R. 1989-b, p.35).

Similarly, population size is correlated in the literature with technical and bureaucratic criteria for efficient administration and service provision<sup>2</sup> (Council of Europe, 1997, p.73). A

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<sup>1</sup> A pioneering and influential approach for the definition of the 'functional urban space' was developed by the United States Bureau of the Census in 1940, called the Standard Metropolitan Statistical Areas. The SMSA as a national system monitoring urban change is based on the identification of a central city (core) in which contiguous counties with metropolitan focus are added. The criteria for the borders of SMSA - revised at each census - include: a) the population of the core city (minimum 50,000); b) the population density of the contiguous counties (at least 150 persons per square mile); and, c) the commuting levels to the core city (set at 15 per cent of the workers resident in contiguous counties). A second method, called Daily Urban Systems was adopted by the Bureau of Economic Analysis of the US since the early 1970s. This relies more heavily on the daily commuting patterns to the main city to include the most likely counties in the Metropolitan area (see Hall, P. and Hay, D. 1980, pp.4-5). Cheshire et al's study of the European urban system in 1988 adopted the concept of the Functional Urban Regions (FURs) as defined in chapter 3 (see CEC, 1988, pp.9 and 33; Cheshire, P. 1995).

<sup>2</sup> In this case, however, statistical and research evidence on the issue produce less clear results. Thus, particular examinations stress the presence of diseconomies of scale as an outcome of high population levels and raise the issues of bureaucratic overload, distance from the consumer and difficulties of citizen participation. Furthermore, flexibility in the provision of services is identified as an outcome of

particular relationship is recognised between population size, administrative economies of scale and the cost-effective delivery of 'technical services'<sup>3</sup> as well as 'education', 'housing' and 'urban planning' (see Bennett, R. 1989-b, p.38). The argument that small municipalities cannot command the resources (financial, human, technical) necessary to manage complex services is supported by a number of national surveys on the topic conducted during 1985-1995 and reviewed in a report by the Council of Europe (1995). The aforementioned studies<sup>4</sup> present statistical evidence for the existence of a population threshold at which an ideal-typical municipality starts to be economically viable in the provision of services. This schematic limit varies from country to country and ranges from 6,000 inhabitants in Denmark, to 20,000 inhabitants in Italy<sup>5</sup> (Council of Europe, 1995, pp.31-2).

In this context, table 4.1 displays the average population and territorial municipal standards in the EU countries. In order to approach more accurately the territorial scale of the localities under consideration a third parameter to the table was included, presenting the number of municipalities at the national level. The limitations of presenting average municipal population standards are recognised here. More than 50 per cent of urban population in Portugal and Greece, for instance, are in just one city, the national capitals of Lisbon and Athens (United Nations, 1998, pp.251-4). Yet, the table points to the presence of distinct national arrangements regarding the municipal territorial and population standards.

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smaller local authority population levels (see Bennett, R. 1989-b, p.38; Travers, T. Jones, G. and Burnham, J. 1993, pp.54-6; Council of Europe, 1997, p.74).

<sup>3</sup> Namely, water, electricity, gas, and road provision (Bennett, R. 1989-b, p.38).

<sup>4</sup> In Belgium, for instance, a 1986 study analysed the cost-effectiveness of 253 municipalities on the basis of a number of service related quantitative indicators including, population size, kilometres of municipal roads, and number of inhabitants benefiting from income-related social aid. The results suggested that large municipalities were comparatively more cost-effective and efficient in the delivery of local public services (see Council of Europe, 1995, p.23). Similarly, in the Netherlands and Norway (a member of the Council of Europe) studies looking at the impact of population size on cost-efficiency in local government service provision suggested that units with less than 5,000 inhabitants (7,000 in the case of the Netherlands) are in a comparatively poor position to take advantage of economies of scale, particularly in the areas of general administration, primary schools, health institutions and technical facilities (Council of Europe, 1995, pp.29 and 32).

<sup>5</sup> Studies from Denmark, for instance, estimated that the minimum population size for municipalities amounted to 5-6,000 inhabitants if they are to adequately provide for primary school education. In the Netherlands, the current criteria for municipal population standards stress that new municipalities should have at least 8,000 inhabitants. Furthermore, in Italy an 1985 study of 7,223 individual municipalities on 28 different services suggested that the complete range of local public services is found in local authorities with a minimum of 20,000 inhabitants (Council of Europe, 1995, pp.24-32).

According to the figures in table 4.1, EU countries cluster around three broad but geographically distinct groups regarding the average population and territorial standards of the local level. The first group is formed primarily by Southern European countries, the second presents a predominantly Northern European pattern, while the third consists of the UK and Ireland.

**Table 4.1: Size and population of municipalities in the EU (1995)**

Country	Av. Population (approx.)	Number of local authorities	Av. Surface Area Sq. Km
FRANCE	1500	36763	15
GREECE	1700	5992	21
LUXEMBOURG	3210	118	22
AUSTRIA	3300	2301	40
SPAIN	4900	8082	62
ITALY	7100	8100	37
GERMANY	4900	16061	176
PORTUGAL	32300	305	301
FINLAND	10800	461	669
BELGIUM	16900	589	52
DENMARK	18500	276	157
NETHERLANDS	23200	647	53
SWEDEN	30000	286	1437
IRELAND	41910	92	
N. IRELAND	60480	26	
WALES	75870	37	
SCOTLAND	91620	56	
ENGLAND	127000	365	#504

/(Note): The figure of the territorial scale for English local authorities are the UK average.  
Sources: (Council of Europe, 1995, pp.12 and 16 and 18; Norton, A. 1991, p.31).

#### The first group

The dominant characteristics presented in table 4.1 for the first group include the small average population size and the comparative large number (small territorial scale) of the local authorities of the countries in question. According to the Council of Europe (1995) surveys, the low population scale indicator points to the difficulty of the attainment of a cost-effective provision of services by the local authorities. The large number of local authorities, in turn, suggests the presence of constraints in the representation of the local interests due to



the administrative fragmentation of the functional urban 'activity space'.

The first group, however, displays two evident peculiarities. The presence of two Northern European countries, Germany and Austria, in a category comprising mainly Southern European states, and the comparatively large population indicators of the Portuguese municipalities that differentiate them significantly from the other countries in this group. The particularity of the German and Austrian cases and the reasons that led to the inclusion of Portugal in this category of municipal standards are explained below.

Central in approaching the German and Austrian examples is the role of the local states (Länder) in the federal subdivision of the national administration. In the case of Germany, the total of sixteen German Länder<sup>6</sup> with a population range from 660,000 (the city state of Bremen) to nearly 17 million (North-Rhine Westphalia), establish a number of smaller sovereign sub-systems of administration where the Länder define locally the powers and duties of their constituent local authorities (Berentsen, B. 1994, p.491). The local government territorial and population profile in Germany, therefore, presents strong variations within the country, depending on the corresponding administrative and political structures of the federal states<sup>7</sup> (Council of Europe, 1995, p.45).

The same principal applies to the nine Austrian Länder, with a population range from 265,000 (Burgenland) to 1,580,000 (Vienna), (Norton, A. 1991, p.28). In Austria, however, the federal system is comparatively centralised. The administrative structures and duties of the municipal level are defined at length in the federal Constitution and this lends greater uniformity to local government powers (Council of Europe, 1995, p.45).

The municipal figures for Portugal presented in table 4.1 do not include the 4,241 communes (parishes) in the country, with an average population and area coverage of 2,300 people and 22 sq. km. respectively. Portuguese municipalities are made up of communes

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<sup>6</sup> Including six new ones introduced after the 1990 reunification.

<sup>7</sup> An indication of the extent of these variations is provided by the diverse picture of local level territorial/population reforms carried out in the country since the 1950s. The state of North-Rhine Westphalia, for instance, reduced its local authorities from 2,384 in 1950 to 396 in 1995, while the Rhineland-Palatine state did not attempt any radical amalgamation of the constituent municipalities during that period (Council of Europe, 1995, pp.15 and 45).

which are institutionally represented in the structure of their respective 'municipal autarchy'. Communes display a narrow range of functions and a limited financial, technical and administrative capacity (Pereira, A. 1991, p.136; Pacheco Da Silva, J. 02/20/1998 - interview).

#### The second group

The comparatively large population and territorial municipal standards of the second group of countries are mainly the result of extensive municipal amalgamations that took place from the 1950s to the 1970s (Council of Europe, 1995, p.15). Even though the reform record of all the countries in this group is quite substantial, the Danish and Swedish examples stand out. In Denmark, for instance, the 1970 Local Government Reform Act decreased instantly the number of local authorities from 1,388 to 276, while in Sweden, two extensive reform periods resulted in a reduction of municipalities from 2,500 in 1952 to 284 in 1974 (Harloff, E.M. pp.35 and 130).

The rationale behind these attempts at territorial restructuring - even though different in each country under consideration - is summarised in the following two points. First, they reflect considerations about the benefits of economies of scale for the cost-efficient delivery of services, and the equipment of the local authorities with the necessary functional area (in fiscal and political terms) for autonomous administration (Council of Europe, 1995, p.23). The integration of separate professions, services and departments into a single corporate entity capable of providing authority-wide planning was the main means of advancing this target (see Leach and Barnett, 1997, p. 42). Second, the post-war local government boundary reforms in the countries of this group were induced by developments in transportation and communication. They constituted an attempt to create administrative boundaries that approximate to the expanded urban activity space (see Bennett, R. 1989-b, p.35).

A particular correlation is detected in the literature, however, relating the territorial and population scale of the local authorities with the manner of public participation in local affairs (Council of Europe, 1995, p.37; Council of Europe, 1997, p.74). The main distinction -

supported by both national and academic studies on the issue<sup>8</sup> - regards the forms of activities that are prominent in municipalities with diverse population standards. On the one hand, smaller urban administrative units display comparatively higher rates of membership in local political parties and a more accessible and accountable relationship between inhabitants and local politicians. Large local authorities, on the other hand, stimulate participation through protest action and group activities<sup>9</sup> promoting the indirect articulation of political demand. Yet, large municipal population standards are identified as a factor influencing negatively the direct participation of citizens in local affairs due to the existence of a narrower proportionate relation between voters and elected representatives<sup>10</sup> (Council of Europe, 1995, pp.37-41).

In order to enhance accountability and the involvement of the voluntary sector in local public life while sustaining, at the same time, cost-efficient population and territorial municipal standards for service delivery, the dominant trend of urban structural reform in the Scandinavian countries during the 1980s was the establishment of special authorities at the sub-municipal level (Council of Europe 1995, pp.10 and 37 and 40-1).

This pattern of re-organisation represents an attempt to facilitate the 'enabling' and 'entrepreneurial' role of the local state in urban management and service provision. This target is advanced through the replacement of the centralised mode of local administration by a decentralised, flexible and integrated framework which promotes consumer accessibility to decision-making and allows competition for the provision of services. Furthermore, it assists the creation of local (community-based) access points to voluntary sector groups for the generation of partnership arrangements and local economic initiatives (see Leach, R. and Barnett, N. 1997, pp.39-42). These considerations, in turn, were also reflected in the 1992 Local Government Act for England.

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<sup>8</sup> See, among others, the surveys in Denmark, Norway, Finland and Sweden presented in a Council of Europe report on the relationship between territorial standards and citizen participation, as well as Smith, (1985) summarising the findings of academic reports and commenting on the UK experience (Smith, B.C. 1985, pp.71-3; Council of Europe, 1995, pp.37-41).

<sup>9</sup> Due to the potentially greater number of interest groups present in these areas.

<sup>10</sup> France, for instance, a country with a large number of very small municipalities (see Table 4.1) has 23 times the number of the UK local elected representatives per thousand inhabitants (Council of Europe 1995, p.41).

### The third group

The British local territorial and population standards displayed in Table 4.1 were established during the 1970s<sup>11</sup> as a result of the 1972 Local Government Act<sup>12</sup> (Davis, H. 1997, p.6). In the early 1990s and in the framework of a broader re-organisation of the structures of the UK public sector<sup>13</sup>, a White Paper titled ‘Competing for Quality’ indicated that “the Government’s model for local government into the 1990s and into the 21<sup>st</sup> century is that of the enabling authority” (Her Majesty’s Treasury, 1991, p.22). In this context, the 1992 Local Government Act set up a non-departmental public body, the Local Government Commission for England, with the task of reviewing “whether there should be changes to the structure of local government and the boundaries of individual local authority areas, *on the basis of ...the new strategic and scrutiny role of local authorities*”<sup>14</sup> (Local Government Commission for England, 1997, paragraph 4.4).

The policy guidelines provided to the Commission for the boundary restructuring of the English local level by the Local Government Act reflect directly the promotion of the ‘enabling’ role of the local state. These are summarised in the following three interrelated criteria for the evaluation of the proposals for boundary reform:

- a) Cost-effectiveness in service provision. This is concerned primarily with the relationship between the administrative boundaries of a locality and the operational costs of service delivery, as well as with issues of effective inter-service co-ordination.

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<sup>11</sup> 1974 for England and Wales and 1976 for Scotland (Bennett, R. 1989-b, p.35).

<sup>12</sup> During the 1980s and despite major changes in the functions and operating methods of the local government management system, no major reform was undertaken for the adaptation of the UK local authority structures to internal organisation changes. As Leach, R. and Barnett, N. (1997) note, the political decisions of the Thatcher government that led to the abolition of the Greater London Council and the six Metropolitan County Councils in 1986 took place prior to the introduction of management changes in the British local authorities (see Leach, R. and Barnett, N. 1997, pp.44-5). Regarding the organisational changes, reference is made here to the transfer of local authority functions and operational responsibilities to a number of QUANGOS (Quasi Autonomous Non Governmental Organisations), voluntary organisations and the private sector all operating under the local government umbrella, as well as the privatisation of a proportion of local authority housing, the introduction of compulsory competitive tendering, the deregulation of public transport and reforms in the provision of education services (see Leach, R. and Barnett, N. 1997, pp.42 and 45).

<sup>13</sup> See, for example, the progressive simplification of the post-1974 three-tier structure of health authorities during the 1980s and the creation of an internal market in the sector (Leach, R. and Barnett, N. 1997, p.44).

- b) Community preferences and responsiveness. In the attempt to influence positively the formation and expression of local community and private sector preferences, emphasis is placed here on the way administrative boundaries relate to local spatial patterns of social and economic activity.
- c) Local government capacity and democratic viability. This criterion for boundary restructuring considers the ability of the local state to advance a strategic view for local socio-economic development. Moreover, it aims at the creation of boundary structures that would facilitate the involvement of interest groups in the development and implementation of local strategic plans and investment decisions (Department of the Environment, 1992, p.23; Leach, S. 1997, p.23; Davis, H. 1997, p.9).

In place of the existing two-tier system, the concept of the unitary (single-tier) elected local authority was promoted by the government as a means to increase accountability and citizen involvement, simplify partnership arrangements and assist the shift of the local level's functions from those of a direct provider of services to a co-ordinating and regulatory role<sup>15</sup> (Local Government Commission for England, 1997, paragraph 4.2; Davis, 1997, pp.7-8).

The aforementioned variations in the area and population standards of the local authorities across the EU indicate the diverse capacity of the local level for autonomous administration and cost-efficient service provision. Further than that, they point to the different emphasis put by local (and national) authorities on the advancement of local level corporatist policies and partnership arrangements with the voluntary sector. This, in turn, was manifested by the recent adaptation of the urban structures of the second and third group countries (primarily the UK and the Nordic EU Member States) for the facilitation of the 'enabling' role of the local state.

The next part of the chapter explores a second related factor influencing local

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<sup>14</sup> Regarding the rest of the UK, it was the Welsh and Scottish Offices that undertook the respective structural reviews in these areas (Local Government Commission for England, 1997, paragraph 4.2).

<sup>15</sup> While most of shire England retained the two tier structure of county and district councils, the review created 46 new unitary authorities in England (Leach, S. 1997). The Scottish and Wales reforms

competitive capacity and the attempts of the urban level to develop entrepreneurial policies, namely, the local financial profile.

#### **4.1.2 Local finance in the EU**

The survey of the comparative degree of fiscal capacity and autonomy of the European local authorities is approached through the examination of two aspects of local financial identity.

The first includes the presentation of the ratio of the gross (capital and current) level of contribution of the local authorities to the Gross Domestic Product (GDP) as well as to the grand total of public expenditure (General Government Expenditure – GGE) at the national level. This examination will indicate the relative volume and economic importance of municipal economic activities at the national level. Also, it will facilitate the cross-national comparison of local financial capacity in the EU Member States.

The second area of interest is the sources of municipal funding. Three aspects of municipal financial structures are explored here: a) the ratio of local taxes to the total of municipal resources; b) local financial dependency on central support and grants; and, c) the degree of local discretion in the utilisation of national government grants. This, in turn, will illustrate the level of financial autonomy of local states across the EU, a complementary area of examination to that of the local economic capacity.

#### **Municipal Expenditure in the EU Member States**

Cross-national comparisons of the percentage of public expenditure accounted for by local authorities display an intrinsic complication. Differences across countries in accounting conventions and the design of the service delivery systems influence strongly what is (finally) defined nationally as local public spending (see Page, E.C. 1991, p.14). With the acknowledgement of this difficulty, table 4.2 presents the current trends of municipal expenditure in the EU Member States. In order to emphasise the significant diversification

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resulted in the introduction of a single tier of local government in the respective areas (Local Government Commission for England, 1997, paragraph 4.2).

between the EU states on the issue, the table is divided into two sections. Countries where the local level contributes significantly - as a percentage - to GDP and GGE indicators are included in the first (highest contribution) category, while the remaining states are presented in the second (lowest contribution) cluster.

**Table 4.2:**

<b>Local Government Expenditure as a Proportion of Gross Domestic Product (GDP) and General Government Expenditure (GGE).</b>			
<b>Countries</b>	<b>% GDP</b>	<b>Countries</b>	<b>% GGE</b>
<b>Highest</b>		<b>Highest</b>	
SWEDEN	27,5	SWEDEN	38
DENMARK	19,9	LUXEMBOURG	32,2
FINLAND	18	DENMARK	31,28
NETHERLANDS	13,3	FINLAND	29,5
AUSTRIA	12,71	GERMANY	28,69
UK	11	FRANCE	27,22
LUXEMBOURG	9,92	UK	27
GERMANY	8,12	NETHERLANDS	23,1
		AUSTRIA	20,18
<b>Lowest</b>		<b>Lowest</b>	
ITALY	7	IRL	13,8
FRANCE	5,54	ITALY	13
BELGIUM	4,9	SPAIN	12,7
IRL	4,9	BELGIUM	10,9
SPAIN	4,87	PORTUGAL	9,7
PORTUGAL	4,6	GREECE	5,6
GREECE	3,33		

Source: (Council of Europe 1997, p.19).

According to table 4.2, there is an apparent divergence between the (limited) financial importance of the local state in Italy, Spain, Portugal, Greece, Ireland and Belgium, on the one hand, and the financial profile of cities in the remaining EU Member States. In the latter cases, local government expenditure displays comparatively significant rates both as a proportion of GDP and of the GGE indicators. In the Scandinavian countries, in particular, local level expenditure accounts, approximately, for more than a third of the General Government Expenditure.

The picture of local financial identity, evidence of the resources at the disposal of the local authorities for socio-economic development policies is further elaborated below through a broad comparison of the sources of funding of the local level across the EU Member States.

#### The financial structure of the EU local authorities

In their various forms, local taxes, fees and financial transfers (earmarked grants, block grants and shared taxes) constitute the main component of local authority funding (Council of Europe, 1997, p.24). In this context, the inquiry into the sources of municipal funding across the EU countries, focuses on three areas:

First on the comparative ability of local government to raise revenue through local taxes and its capacity to locally define tax rates. The two most common local taxes amongst Council of Europe members - and the ones examined here - are property taxes (on domestic and business properties) and income taxes (on personal and business income), (see Council of Europe, 1997, pp.42-3; Page, E.C. 1991, pp.31-2).

Second, the capacity of the local state to generate resources through the imposition of fees and charges for the usage of local services<sup>16</sup> (see Council of Europe, 1997, pp.31-5).

Third, local financial dependence for current spending upon the national government, as indicated through the provision of grants. Regarding national government funding, a distinction has to be drawn between 'general' and 'specific' grants. General grants are not hypothecated to any particular service and are, thus, not circumscribed by rules which restrict the activities that the recipient local authorities may legally undertake. Specific grants, on the other hand, cover the provision costs of services predefined by the national level. The third area of examination, therefore, presents the degree of local fiscal dependence on central support and indicates also the discretion that the local authorities possess across Europe in utilising the grants received from the national administration (Council of Europe, 1997, pp.51-61; Page, E.C. 1991, pp.32-4).



The basis for the comparison is table 4.3, that presents the average national figures of these three areas of examination. It is recognised, however, that it is only in conjunction with the identification of relevant information regarding central-local relations in each particular country that these static figures provide a valid characterisation of the comparative degree of local financial autonomy. Based on table 4.3 and in order to provide a framework for the presentation of this relevant information a dual categorisation of the European states is suggested, depending on the degree of local financial autonomy.

**Table 4.3: Sources of Municipal Funding (% of total resources)#**

COUNTRIES	Local Taxes	Fees and Charges	Grants	
			Total	Specific
AUSTRIA	15	19	35	0
BELGIUM	32	5	40	5
DENMARK	51	22	24	0
FINLAND	34	11	31	1
FRANCE	36	2	26	0
GERMANY	19	16	45	13
GREECE	2	22	58	0
IRELAND	18	10	57	46
ITALY	18	11	38	24
LUXEMBOURG	31	29	37	0
NETHERLANDS	5	13	60	38
PORTUGAL	20	19	38	4
SPAIN	31	16	37	29
SWEDEN	61	8	19	8
UK	11	6	77	27

# Note: Other sources of local funding include fines and penalties, specific income deriving from municipal organisations and resources from the sale of municipal property (Council of Europe, 1997, p.24).

Source:(Council of Europe, 1997, pp.25 and 27).

#### High degree of local financial autonomy

The trends inferred from table 4.3 regarding the financial structure of the local state across the EU Member States suggest that a greater level of financial autonomy and discretion to utilise central government grants is to be found in the Austrian, French, Belgian, Finnish, Swedish and Danish municipalities. It is in these countries that the revenue raised by local

<sup>16</sup> Charging for local services includes primarily the areas of water provision and refuse collection, and - depending on national legislation - it incorporates also fees for the provision of extra-curricular

authorities approximates (Austria, Belgium) or exceeds (Nordic states, France) the amount granted in transfer payments to the local level by the national government. What is more, regarding the conditions under which higher level authorities grant resources to the local level in these countries ('vertical' revenue flows), table 4.3 indicates the absence of central government influence, as the resources granted are not linked to a specified purpose. This, in turn, is the result of a number of administrative and legal reforms over the last twenty years in the aforementioned countries, that increased the discretionary powers of the local level.

Until the mid 1970s, for instance, the French grant system was based upon the concept of 'subsidised expenditure', reflecting the priorities set by the central government with a high rate of hypothecated grants. The demands expressed by the national association of local authorities for a more 'streamlined' grant framework to correspond to the rapidly expanding functions of the local level led to the 1978 and 1982 Basic Reforms. The result was the abolition of the categorical grants and the 'loan-subsidy link' as well as the reduction of regulation and central controls imposed on the local public sector (Gilbert G. and Guengant, A. 1989, pp. 244-7). Similar to the French case, attempts to moderate patterns of central control are provided by most of the other countries in this group.

In Belgium, the scope of national government controls on local funds has been significantly modified and reduced since 1984, with the transferring of supervising responsibility to locally accountable regions (see Harloff, E.M. 1987, p.19). Also, in the Scandinavian countries, there were characteristic attempts to reverse the rigid government regulations on the extensive hypothecated municipal funds<sup>17</sup>. In Sweden, for example, the complex regulatory framework in 'social services' and 'health' has been supplanted by a system of general enactments that, although they indicate targets, allow the corresponding local authorities to act with complete discretion regarding the plan of action and the internal organisational structure of the service (Blair, P. 1991, p.43).

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education, adult education programmes and library services (see Council of Europe, 1997, pp.31-5).

<sup>17</sup> Due to the major role of the local level as an agent of national government in the provision of social services (Page, E.C. 1991, pp.15-20).

### Low degree of local fiscal autonomy

At the other end of the spectrum, as shown by table 4.3, local authorities that display a low capacity to raise revenue through taxes and charges and depend strongly on earmarked financial transfers from national government are those in Ireland, Italy, Greece, the Netherlands, Spain, the UK and to a lesser extent - as illustrated below - Portugal. A closer look at national administrative arrangements in these countries further elaborates the limited nature of local financial autonomy. Moreover, it points out the restricted fiscal and political capacity of the local state to initiate and implement locally defined socio-economic development policies, since such attempts are supervised and regulated by the central authority granting the resources.

In Italy, for instance, municipal acts have to be formally submitted to the relevant supervisory body at the regional level of administration (Regional Control Commission). Only after an approval of the 'legitimacy' of local authority actions is granted it is that municipal acts can be activated (Council of Europe, 1995-b, p.42). Particularly closely supervised financial matters include the municipal budget, the levying of taxes and long-term expenditure programmes (see Harloff, E.M. 1987, p.88). In Portugal the municipal financial framework established in 1979, by strictly defining the areas that compose local taxable sources and through the imposition of fixed parameters on the corresponding rates of taxation, also restricts the potential for local economic initiatives. The introduction of a locally designed and applied levy is not among the discretionary powers of Portuguese local authorities (see Pereira, A. 1991, p.138; Council of Europe, 1997, p.39).

In the case of Spain, significant financial decentralisation tendencies are observed in the national administrative system in the post-1974 period<sup>18</sup> (see Sole-Vilanova, J. 1989). However, the high rates of specific grants displayed by the Spanish local level in table 4.3 indicate the limited local political discretion in financial management. The reasons for these contradictory trends relate to two factors. First, to the 1985 Local Government Act that

specifies a minimum of compulsory functions and services for all local authorities<sup>19</sup> (Council of Europe, 1997, p.61). Second, to the restricted capacity of the Spanish local level to generate the resources necessary to finance the provision of obligatory services, a trend related to the limited territorial and population scale of the Spanish local level<sup>20</sup>. The result is a high degree of central control on local spending, as a significant share of the local resources is hypothecated (see Sole-Vilanova, J. 1989, p.222).

British local authorities are able to set and adjust local tax levels within a limit set by the national government. However, the cash-based limits introduced to the central grant in 1976 increased under the Conservative government from 1979. The national government also acquired the power to reduce the central grant as a penalty for overspending, and to alter the amount of revenue going to groups of local authorities<sup>21</sup> (John, P. 1991, p.60). These developments, together with the expansion of central support for specific programmes and the introduction of competitive bidding among local authorities for urban regeneration grants<sup>22</sup>, indicate a decline in the discretionary power of local authorities to advance locally decided socio-economic policies. The funding for urban regeneration programmes is increasingly dependent upon the ability of (competing) local authorities to deliver specific levels of output to the national government (see Oatley, N. 1998-b, p.33).

The restricted fiscal capacity and autonomy of local authorities in this group of countries is reflected on the limited number of functions and degree of economic intervention of the local level in the area that holds responsibilities for.

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<sup>18</sup> In terms of public expenditure, for instance, for the 1978-1986 period, the share of central government spending dropped from 90.2 per cent to 76.3 per cent, while the share of the regional tier rose from nil to 12.0 and the local from 9.8 to 11.7 per cent (Sole-Vilanova, J. 1989, p.216).

<sup>19</sup> These include, among others, urban hygiene/sanitation and urban transport, while services provided jointly with the corresponding regional administration include town planning and housing, sport, education, cultural activities, civil defence and tourist services (Harloff, E.M. 1987, p.125).

<sup>20</sup> A total of 82 per cent of the Spanish municipalities display population standards of less than 5,000 inhabitants (see Table 4.1). The (comparatively) limited municipal territorial and population scale has been presented above as a factor that constrains the ability of local authorities to obtain benefits from economies of scale for the cost-efficient provision of services (Council of Europe, 1997, p.73).

<sup>21</sup> Moreover, the local power to regulate the 'non-domestic' tax rate has been removed and replaced by a fixed rate set nationally. Under these measures it is estimated that the British local authorities lost between 1987 and 1991 about half of the volume of locally decided revenue (John, P. 1991, p.64).

<sup>22</sup> As indicated by the launch of the City Challenge (1991) and Single Regeneration Budget (1994) programmes (see Oatley, N. 1998-b).

### **4.1.3 Provision of services and engagement in local economic activities**

The functions performed by local authorities in the EU is approached here through a comparative review of service-provision. In order to make a comparison, however, it is necessary to concentrate on a limited number of basic services. For this reason the study focuses on seven service categories including education, public utilities, public health, police, social welfare, transport and general cultural activities<sup>23</sup>.

Table 4.4 attempts an outline of the provision of these functions at the local level of the EU member states, indicating also two relevant aspects. First, whether the provision of a service by a local authority is discretionary or compulsory according to national legislative framework. Second, the degree - extended or limited - of local involvement in, and contribution to the provision of a particular service.

What is directly inferred from table 4.4 is the apparent homogeneity and uniformity of the services that are at least partially provided by the European local authorities. Table 4.4, however, while important in indicating the (phenomenally) similar functions of European local authorities, does not provide information on the comparative degree of responsibility shared with the central government for the provision of a service<sup>24</sup>. The significance of this factor in evaluating the role of local authorities in service delivery is illustrated by table 4.5 that shows the percentage share of total public spending taken up by the local government in the aforementioned service categories in six EU Member States.

The juxtaposition of tables 4.4 and 4.5 indicates that the formal strings attached to a service do not constitute a valid indicator of the actual local contributions to this service. An example of this is the non-mandatory contribution of Danish municipalities to the local

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<sup>23</sup> It should be noted that the category of 'public utilities' involves the provision of water, electricity, gas, sewage, and waste collection and disposal. Furthermore, 'public health' incorporates the municipal role in the national health system wherever this corresponds to local legislative requirements. 'Social welfare' means the municipal contribution in income support and housing benefits to the less advantaged members of the community.

<sup>24</sup> The compulsory responsibilities of Greek, Portuguese, Spanish or Irish local authorities in education, for instance, are mainly confined to the maintenance of local school buildings and diverge essentially from the active presence of Dutch municipalities in primary and secondary education or with the major role of British local educational authorities in all the pre-university levels (see Council of Europe, 1996, pp.22-30).

provision of 'public utilities' which is significantly more important than the compulsory role of Spanish local authorities in the same service area<sup>25</sup>. In order to elaborate further the cross-European picture of urban diversity in service delivery, a broad categorisation of the European local authorities is advanced.

**TABLE 4.4: Services provided by municipalities in the EU countries**

	Education	Public Utilities	Public Health	Police	Social Welfare	Transport	Culture
<b>Countries</b>							
Austria	C	D	C/M	C	C	C	D
Belgium	C	C/M	C	C	C	C	D
Denmark	C	D/M	C/M		C/M	C	C
Finland	C	D/M	C/M		C/M	C	D
France	C		C	C	D/M	D	D/M
Germany	C	C	C	C	C	C	D
Greece	C	C	C/M	D	D		D
Ireland	C	C	C/M	C			C
Italy	C	C	C/M	C	D/M	C/M	D/M
Luxembourg	C	C	C/M	C	C	C	D
Netherlands	C	C	C/M	C/M	C/M	C	C
Portugal	C	C	C/M	D		C	D
Spain	D	C	C/M	C	D	C/M	D
Sweden	C/M	C/M	C/M	C/M	C/M	C	D/M
U.K. <sup>26</sup>	C/M	C	C	C/M	C	D	C

C: compulsory, M: major role in service, D: discretionary.

Sources: (Council of Europe, 1988; Council of Europe, 1995-b, pp.14-20; Council of Europe 1996, pp.22-30 Page, E.C. 1991, p.26; Harloff, M. 1987; Norton, A. 1991, p.36).

<sup>25</sup> Further examples include, among others, the diverse local participation of the French and UK local authorities in the - compulsory in both countries - provision of 'police' services, or the significant variation in the level of local participation in 'education' between Italian and Swedish local authorities (See table 2.4 and 2.5).

<sup>26</sup> In 'public utilities', the UK local authorities have clear statutory duties to undertake tasks such as refuse collection and disposal. The only mandatory function of the local level in 'social welfare' is child-care, while the category of 'culture' includes mandatory library services (see Council of Europe, 1995-b, p.27; Page, E.C. 1991, p.26).

	<b>Sweden</b>	<b>Denmark</b>	<b>UK</b>	<b>Italy</b>	<b>France</b>	<b>Spain</b>
<b>Services</b>						
Education	6.7	8.1	9.7	1.9	2.9	0.9
P. Utilities	4.3	3.6	0.7	0.6	0.6	0.3
P.Health	1.7	9.4	0.8	2.9	0.3	4
Police	0	0.2	2.5	0.4	0.6	0
S. Welfare	6.7	25.4	1.9	0	1	0
Transport	1.6	0	1.9	1.2	0.6	2.5
Culture	2.4	1.7	1	0.2	1	0
<b>Total</b>	<b>23.4</b>	<b>48.4</b>	<b>18.5</b>	<b>7.2</b>	<b>7</b>	<b>7.7</b>

Source: (Page, E.C. 1991, p.19)<sup>27</sup>

The basis for this is the legal competence and fiscal capacity of local states across Europe to participate in economic activities in their areas, either as part of their direct responsibilities as service providers or by the introduction of local economic development measures through partnership arrangements with local interest groups. In the two categories created only the most prevalent national examples of municipal involvement in local economic activities (high and low) are examined. The remaining states share characteristics from both of these categories.

#### High municipal involvement in local economic activities

As indicated in tables 4.4 and 4.5, the EU countries where the local state is actively involved in the provision of services are Sweden, Denmark, Finland, the Netherlands and the UK. It is also in these countries - with the exception of the UK - that the local level displayed significant rates of economic activity as a proportion of GDP and GGE indicators (see table 4.2). However, for each country different reasons predominate in justifying the role of the local level as significant in local economic functions.

In the case of the UK, for instance, a surge of local government reforms in the late 1980s promoted the concept of the local level as the main regulator of services rather than the main provider. This, in turn, resulted in considerable reductions in the redistributive and

<sup>27</sup> Social welfare in Denmark includes income transfers from the central government. In the UK, 'health' was removed from local authority jurisdiction after the creation of the National Health Service (1948).

welfare roles of British local authorities and the loss of control of many functions<sup>28</sup>. Even with these developments under consideration, British municipalities continue to retain a comparatively significant level of responsibility in service delivery with the areas of 'police' and 'housing' as the most prominent examples (Page, E.C. 1991, pp.17 and 20). Furthermore, UK national legislation provides local authorities with discretionary powers for the promotion of local 'economic development' measures<sup>29</sup> through joint ventures with the private sector. This may take the form of either partnership schemes, equity participation in private companies or contracting out (Council of Europe, 1995-b, pp.19 and 27 and 29-32).

Regarding Sweden, Finland and Denmark, the noteworthy contribution of the local state in the delivery of services is followed by significant discretionary aspects to the involvement of the local state in economic activities<sup>30</sup> (Council of Europe, 1995-b, pp.29 and 37-8). Moreover, a shift in the nature of central government supervision is emphasised in the literature, from a role that was primarily supervisory to one that is largely advisory (Bogason, P. 1987, p.54). The most prominent example of the latter trend is the launch of the 'Free Local Government' experiment in Sweden and Denmark. According to this initiative, selected municipalities may on their own initiative be granted exceptional discretion from particular state regulations that they regard as a hindrance for effective administration and service provision. The aim is the development of novel approaches for local management and the generation of flexible, adaptable and locally accountable policies (see Blair, P. 1991, pp.43-4).

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<sup>28</sup> The new 'enabling' role of the UK municipalities as an active co-ordinator of local organisations, private and public, for the attainment of a service is evident in many spheres of activity. The 1988 Local Government Act, for instance, requires local authorities to contract out or to offer to tender to private companies a number of services such as refuse collection, school catering and the cleaning of buildings, in an attempt to promote consumer-led cost-effectiveness and accountability (Oatley, N. 1998-b, p.29; John, P. 1991, p.68). In the same spirit, the Housing Act (1988) enacted the preclusion of rent-subsidy policies from the local authorities, while the Education Reform Act of the same year allowed schools total discretion in the utilisation of central grants and the option to opt out from the local educational authorities and become independent 'grant maintained' bodies (Council of Europe, 1996, p.39; John, P. 1991, pp.65-6).

<sup>29</sup> The term 'economic development' in the UK context is broadly defined to include a diversity of functions such as the creation of companies to promote specific ventures, enterprise boards with more general economic development powers, community associations, and theatre management projects (Council of Europe, 1995-b, p.19).

<sup>30</sup> In Sweden, for instance, municipalities have a legal right to establish enterprises and partnership arrangements with the private sector for local economic development. Also, since the 1991 Local



In the Netherlands, the central government has no control over the involvement of the local level in economic activities and there are no specific regulations controlling the extent of local authorities' ownership of equity in private sector businesses. Furthermore, the Netherlands is the only country in Europe where partially owned local authority companies have their accounts fully integrated with the municipal accounting system<sup>31</sup> (Council of Europe, 1995-b, pp.30 and 36 and 43).

#### Low municipal involvement in local economic activities

The countries where the local state has a comparatively limited role in the provision of services and restricted fiscal or legal competence to advance local economic intervention measures are Belgium, Greece, Portugal and Spain.

In the case of Belgium, the inclusion of the country in this category reflects and follows the low level of municipal contribution to the grant total of public expenditure at the national level (see table 4.2). A complementary reason involves the statutory limitations imposed by the Belgian Constitution on the economic activities of the municipalities. With the exception of inter-municipal enterprises, local authority partnership arrangements with the private sector and equity participation in private companies is prohibited by law (Council of Europe, 1995-b, pp.14 and 21 and 24).

In Portugal, national regulatory and control measures over local authorities' economic intervention are not defined. Contrary to the example provided by the Netherlands, however, this is not an indication of a high level of municipal discretion in economic intervention but more a result of "the very limited participation of the communes in economic activities" (see Council of Europe, 1995-b, pp.43-4).

Similarly, in Spain and Greece, the actions of local authorities are not limited by the 'ultra vires' principle which demands a formal statutory right from the part of the municipality

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Government Act municipal enterprises are created in the form of companies belonging to the private sector (Council of Europe, 1995-b, p.29).

in order to assume a specific economic function. In Greece, in particular, the respective institutional framework facilitates the creation of local authority enterprises and joint ventures with private businesses by the provision of special inducements such as finance, tax relief and tax exemptions (Council of Europe, 1995-b, pp.38 and 42-4). In both countries, however, as tables 4.4 and 4.5 showed, the local level has a limited involvement in the delivery of services. Moreover, Spain and Greece displayed particularly low rates of local government expenditure rates as a proportion of General Government Expenditure and the GDP (table 4.2). In that sense, compulsory local participation in the provision of services suggests a limited binding financial arrangement with the national authorities for the delivery of particular functions.

## **4.2: The executive structures of European local authorities**

### **4.2.1 The plethora of administrative and political arrangements**

The framework for the examination of the variety of administrative and political structures of European local authorities is based on an inquiry into the distribution of executive power at the local level. Three broad power-sharing types are identified, configuring the governing profile of local authorities. Executive responsibilities in municipal structures are vested exclusively or shared between: a) the mayor, or the chairman of the council; b) a collective executive board; and c) a series of administrative committees (see Page, E.C. 1992, p.73).

Table 4.6 attempts a summary of the presence of these institutions at the European local level acknowledging, however, that such a schematic approach bypasses some relevant information regarding the interplay between the administrative and political institutions of European localities. Furthermore, differences between local authorities at the national level are not included despite the characteristic importance of this diversification in some countries. The constitutional prerogatives of the Austrian and German Länder in determining power-allocation arrangements at the local level, for instance, result in a variety of local authority

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<sup>31</sup> Also, if an enterprise in which the local authority participates is part of a corporate body, then the municipality is free to decide whether or not the accounts of that enterprise will be consolidated to its own (Council of Europe, 1995-b, p.36).

structures in these counties that cannot not be schematically outlined (see Siedentopf, H. 1995; Neuhofer, H. 1995). Table 4.6 depicts the most prominent characteristics of executive municipal structures in the EU Member States and provides the framework for the examination of European urban diversity on the issue.

As indicated in table 4.6, the categorisation of European states on the basis of their local executive structures results in the formation of three distinct groups. The first comprises Finland, Sweden, the UK and Ireland, the second includes the BENELUX states as well as Italy and Denmark, while the third presents a predominantly Southern European model of power-allocation arrangements at the local level. The characteristics of local management for each group of countries and the particularity of the Danish example are examined below.

<b>Table 4.6: Executive structures in the European local authorities</b>				
<b>Countries</b>	<b>Committees</b>	<b>Board</b>	<b>Mayor</b>	<b>Mayor elected by</b>
<b>GROUP 1</b>				
Finland	YES	YES	NO	COUNCIL
Ireland	YES	NO	NO	COUNCIL
Sweden	YES	YES	NO	COUNCIL
UK	YES	NO	NO	COUNCIL
<b>GROUP 2</b>				
Belgium	NO	YES	YES	COUNCIL
Denmark	YES	NO	YES	COUNCIL
Italy	NO	YES	YES	VOTERS
Luxembourg	NO	YES	YES	COUNCIL
Netherlands	NO	YES	YES	COUNCIL
<b>GROUP 3</b>				
France	NO	NO	YES	COUNCIL
Greece	YES	NO	YES	VOTERS
Portugal	NO	YES	YES	VOTERS
Spain	NO	YES	YES	DISCRETIONARY

Sources: (Harloff, E.M. 1987; Page, E.C. 1991, p.74; Ercole, E. 1997, p.190).

#### The first group

The prevailing characteristic of the first group of countries is the absence of a separate discernible political executive at the local level. The concentration of administrative as well as policy-making functions in the Council Committees in Britain, and the presence of executive

committees which direct the board in the cases of Sweden and Finland suggest structural similarities between these countries if compared with the strong political executive apparent in group 2 countries, or the personified leadership of the Southern European countries in group 3. Ireland also has developed the system of the (non-political) autonomous manager who is largely outside the direct control of the council (Blair, P. 1991, p.52).

An indication of the importance and influence exerted by bureaucratic mechanisms in the local administration of countries in this group is provided by table 4.7 which compares local public employment figures as a percentage of national public employment figures in six EU Member States.

<b>Table 4.7 : Local public employment as a percentage of national public employment figures</b>				
<b>DENMARK</b>	57		<b>ITALY</b>	12
<b>SWEDEN</b>	54		<b>SPAIN</b>	10
<b>UK</b>	39		<b>FRANCE</b>	10

Source: (Page, E.C. and Goldsmith, M. 1987, p.157).

The high rates of local authority employed public servants in Denmark, Sweden and the UK points to the emphasis attached to the municipal administrative mechanisms in these countries for the fulfilment of broad interests and socio-economic functions both local and nationally defined. In this context, the UK offers an example of the high status and authority of the local bureaucratic mechanism at the local and national levels.

The local authority bureaucratic mechanism in Britain is strongly associated with influential independent organisations that operate at the national level like the Institutes of 'Housing' and 'Royal Town Planning' (see Rhodes, R.A.W. 1986). This, together with the distinct presence of legal practitioners in the most senior local management positions - that of the 'town clerk' and 'chief executive' (see table 4.8) - signifies the decisive and autonomous role of local bureaucrats in municipal administration and policy formulation. In cases of

'hung' councils, for instance, the legal background of the chief executive has played a key role in finding ways and ensuring that the local administration can be carried on despite the impossibility of one party forming an administration (see Elcock, H. 1994, p.276).

**Table 4.8: Occupancy of local posts by profession in Britain**

Profession	Percentage of Chief Executives
Law	46.5
Accountancy/Finance	19.5
Secretary/administration	9.5
Planning	5.4
Engineering	5
Architecture	0.2

Sources: (Norton, A. 1991-b, p.152; Elcock, H. 1994, p.276).

What is more, the influence of the above professional organisations in UK local affairs is also extended at the national level. A rich record of co-operation with central government on a variety of technical issues and a strong presence in corporate negotiations concerning employment conditions denotes an additional source of authority deriving from the esprit de corps and the sheer size of these organisations<sup>32</sup> (Rhodes, R.A.W. 1986; Cherry, G. 1978, p.179; Travers, T. Jones, G. and Burnham, J. 1997).

The dominant position and influence of local bureaucracy found in the executive structures of the Finnish, Irish, Swedish and UK local authorities is moderated in the second group of countries by the role of the mayor in local administration.

#### Second group

The defining characteristic of the local executive structures of the second category of countries lies in the dual role of the council-elected mayor as both an officer of the central government and the chief of the local municipal council. Sharing executive powers with the council, the main responsibilities of the mayor in the BENELUX countries and Italy include the supervision and execution of the decisions of the council and board, the management of

<sup>32</sup> The Royal Town Planning Institute, for example, had 12,000 members (early 1980s), while the constitution of the Society of Local Authority Chief Executives (SOLACE) emphasise as one of its major roles and responsibilities the precise "promotion of the interest of the body of members" (Rhodes, 1986, p.66).

certain financial matters and the maintenance of public law and order (Sevrin, R. 1989, p.298; Blaas, H. and Dostal, P. 1989, p.238). In the case of Denmark, municipal executive rights are vested both in standing committees and in a mayor. This, together with the importance of local bureaucracy in terms of national public administration (table 4.7) renders Danish local executive structures difficult to categorise. Yet, while the executive capacity of the Danish 'burgomaster' is restricted if compared with the other countries in this group, the mayor does exercise an executive role, something that distinguishes Denmark from the other Nordic EU countries, Ireland and the UK which lack a discernible political executive at the local level (Klausen, K.K. 1997, pp.17-8).

In comparing local administrative and decision-making processes in countries that feature a mayor with executive powers with Finland, Ireland, Sweden and the UK, particular divergence occur. Germany offers an insight into the impact of the two local authority organisation systems on policy-making due to the variety of inter-municipal power-allocation structures in the country (Harloff, E.M. 1987, p.42).

It has been suggested, for instance, that the mayor's central position and co-ordinating role in the local administration of Southern German Länder (Bavaria and Baden-Württemberg) encourages more politically accountable financial management if compared with the administration of municipal committees in Northern Länder (North Rhine-Westphalia and Lower Saxony). In the latter cases, the participation of administrators in local policy-making procedures is seen as facilitating sectoral alliances and impeding the promotion of politically defined priorities (see Blair, P. 1991, p.53).

The arguments that point to the disadvantages of mayor-led local executive structures emphasise the limitations of this model for the advancement of rational and effective administration. The examples used in support of this thesis highlight the fact that municipalities that vest executive powers to mayors objected to the 1965-77 municipal amalgamation reforms in Germany, on the basis - it is argued - of the desire to retain legal status for the councils and the mayor (Harloff, 1987, E.M. pp.40-1). The validity of this argument is further tested in the third group of countries where the Mayor constitutes a key

participant in and a focal point of the local administrative mechanism.

### The third group

The concentration of local executive power in the position of mayor in Portugal, Greece, Spain and France, provides a strong example of personified administration. The mayor is not simply the prominent figure of the elected council or the board. In Spain the executive board is appointed by the mayor and serves at the mayor's disposal, while in Greece and Portugal the direct popular election of the mayor provides further status to the post and relative political independence (Blair, P. 1991, p.52; Page, E.C. 1991, p.74).

In France too the mayor is the sole official charged with executive powers at the local level, while the authority of the post extends to the national political arena. Reference is made here to the second French chamber with legislative power, the Senate, which acts as a forum for the representation of the interests of the French municipalities at the national political level (see Page, E.C. 1991, p.52). The direct (membership) links between the municipalities, the Association of Mayors and the Senate, establish a network of interdependencies and politico-administrative interactions that facilitate the access of local interests to the national level of decision-making (Balme, R. and Le Gales, P. 1997, p.148). These routes of influence have been successfully activated in any attempt by the central government to reform the executive structures of the French municipalities<sup>33</sup>.

It is these particular interactions and access to centres of national power that constitute the major legitimising mechanisms of the local political system in France and balance the absence of a professionalised bureaucracy in the local administration as seen in table 4.7. The power of local office is evaluated through its mediating ability to translate local authority into national political influence, something that consequently enhances the local legitimacy of the mayor through accrued benefits for the municipality (see Tarrow, S. 1977, pp.129-30).

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<sup>33</sup> The impact of this informal block of interests to the 1969 government proposal for municipal mergers, for instance, was decisive in defending the local territorial and population standards (Gilbert, G. and Guengant, A. 1989, p.242; Page, E.C. 1991, p.52). Also, the limited success of the 1982 territorial reorganisation reform that established political regions in the country is attributed to the political influence of the municipalities within the national parliament (Balme, R. and Le Gales, P. 1997, p.150).

Evidence of this dual role of the local politician - the prestige that derives from local authority together with the image as an influential figure at the national political level - is the significant number of French senators that have previously served in the municipalities or the Association of Mayors<sup>34</sup>. However, parallel examples are offered by both Greece and Portugal, an indication of similarity in the way local administration is viewed and practised in these countries if compared with the impersonal and bureaucratic administrative mode of the first and second group examples. Indeed, both the present leader of the Socialist Party in Portugal and the ex-Leader of the Conservative Party in Greece successfully stood as mayors of Lisbon (1989) and Athens (1987) respectively, a tactical career move aiming to utilise the influence of the post for the development of their political profile (Pereira, A. 1991, p.140).

There is a significant difference, though, between France and the other countries in this group. The absence of an institution similar to the French Senate in Spain, Greece and Portugal generates alternative routes of political access to the national level of decision-making. In this case, the major role is played by the political party system and the advantages that a politicised and influential local leadership can provide to the national parties (Ignazi, P. and Izmal, C. 1998; Syrett, S. 1995). The consistency of occurrence of this phenomenon in Spain, Greece, Portugal points to the structural similarities that marked the national political developments in these countries the last sixty years, a background with particular repercussions regarding the competence of the local authorities to advance competitive policies and a successful entrepreneurial profile.

### **Discussion**

A first attempt at identifying the reasons behind the diversity of local organisational arrangements in the EU reveals the uniqueness of the historical trajectories of the respective countries. Aspects of regional nationalism, problems of multi-cultural cohesion and even the enforced structures of war settlements feature prominently in the analysis.

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<sup>34</sup> A late example was the prime Minister of France for the 1996-97 period, Mr. A. Juppé, who was also mayor of Bordeaux and a parliamentary candidate for the national assembly in the 1997 elections. Other examples can be seen in Page, E.C. (1991), p.52.



The Napoleonic heritage of centralised and uniformed administrative structures, for example, had a broad impact on the original attempts for the establishment of a local government tier in many countries during the 19th century and the width of its influence is evident even today in the French, Spanish, Portuguese, Greek, Dutch, Italian and Belgian local structures (see Newman, P. and Thornley, A. 1996, pp.39-40; Bennett, R.B. 1989-a, pp.13-7; Blaas, H. and Dostal, P. 1989, pp.230 and 238; Bours, A. 1989, p.76). Aspects of the Napoleonic model can be seen in both the administrative division of the aforementioned states as well as in the distribution of power in the local executive structures.

In France, for instance, the ninety-five Departments are still at the core of the contemporary local administration, while in Portugal - despite the major constitutional and administrative reforms of the 1970's - the municipal boundaries are essentially the result of an arrangement established in the last century (Pereira, 1991, p.135; Gilbert, G. and Guengant, A. 1989, pp.242-3). Regarding the distribution of power in the municipalities, the centralised Napoleonic model consisted of a dominant role for the (originally appointed) mayor as a representative of the state and strong central control on local affairs, features that were identified as characteristic of Spanish, Greek, Portuguese and French local structures (Bennett, R.B. 1989-a, p.20).

Other examples pointing to the influence of national historical-political trajectories on the current local administrative and institutional profiles are provided by Germany, Spain and Belgium.

The fact that local authority structures in Germany are regulated by the respective Länder, for instance, relates to a post-war arrangement reinforced by the allied occupation of west Germany during the 1945-55 period (Harloff, E.M. 1987, p.40). Aiming to prevent the resurgence of a totalitarian state, the German Constitution (Basic Law of 1949) provided the Länder with a high degree of political and administrative autonomy. Until the end of the 1970s, the political debate in West Germany was - counter to the rest of Europe - concerned with the enhancement of the powers of the national authorities so that they can adequately fulfil federal regulatory functions (Bahrenberg, G. 1989, p.256).

In the case of Spain, the decentralising tendencies of the national administrative framework since the fall of the dictatorial regime (1976), addressed primarily the role of the regional and not the local authorities. Particular political and historical reasons explain this development. The important role that the new Spanish constitution (1978) reserved for the Autonomous Communities in the state structures reflects a consensual political process aiming at accommodating the demands for devolution of the Basque Country, Catalonia and Galicia regions in the new Spanish democracy (see Mateo, J.F. 1991, pp.146-7; Sole-Vilanova, J. 1989, p.209). As discussed in this chapter, however, the prevailing position of the regional tier in local affairs occurs at the expense of the role of the local level<sup>35</sup> (see Council of Europe, 1995-b, p.40; Mateo, J.F. 1991, pp.146-7).

In Belgium, a constitutional amendment (1970) provided that the country was comprised of three regions (Wallonia, Flanders and Brussels), four linguistic regions (French, Dutch, German and the bilingual region of Brussels) and 589 municipalities whose boundaries are determined by the linguistic region they belong to and can only be altered by an act of parliament (Council of Europe, 1995, p.12; Harloff, E.M. 1987, p.17).

Beyond the importance of general historical and cultural particularities, local authority structures reflect political and economic priorities relevant to the role of the local level in socio-economic development. The position, as described above, of European municipalities in terms of their territorial and population standards, and financial, administrative and institutional characteristics was primarily an outcome of national reforms in the 1960s and the 1980s that addressed political considerations for the functions of the local level. Based on the findings of the review, two broadly defined types of urban administration were identified in Europe, a Northern and a Southern model, indicating the diverse role that the local level was called upon to perform in each case. The following summary of the main points of the chapter further highlights this argument. Moreover, it accents the importance of examining the

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<sup>35</sup> The regional government has its own political administration, territorial services and significant financial autonomy as well as the authority to spend the 30 per cent of the income tax collected in the region (Marenciano Camara, A. 01/04/1998 – interview).

urbanisation trajectories in Spain, Greece and Portugal in order to shed light on the urban restructuring mode and the causal reasons behind limited development of local indicators of competitiveness in Southern Europe.

#### The two models of urban administration

In comparing the cross-European picture of municipal economic activity with the categorisation of European states on the basis of the local level area and population scale, a notable trend emerged. With the exception of Belgium, the relative importance of local economic functions runs in parallel with the differences across Europe on local territorial and population standards. The local level possesses - schematically and at a broad level of abstraction - a comparatively more important economic role in countries that pursued boundary restructuring (municipal amalgamation) policies during the 1960s and 1970s in the attempt to facilitate cost-efficient local provision of services and improve administrative economies of scale<sup>36</sup>. Furthermore, as indicated above, recent reforms in these countries (Sweden, Finland, Denmark, the Netherlands, Austria and the UK), reflect attempts to promote the 'enabling' and entrepreneurial role of the local state, pointing to a shift in national and local political priorities towards the novel requirements for efficient and competitive-orientated urban administration. These targets were advanced by both structural (territorial and population) and regulatory re-organisations aimed at enhancing political accountability and consumer accessibility to decision-making, as well as to equip the municipalities with the relevant discretionary powers for an increased involvement in local economic activities through partnership arrangements with the local public and private sector.

The review noted major variations amongst the countries with a comparative high degree of municipal financial capacity and statutory levels of discretion<sup>37</sup>. However, there is a notable structural difference between, on the one hand, countries where economic intervention

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<sup>36</sup>Namely Sweden, Finland, Denmark, The Netherlands, Germany, Austria and the UK (Bennett, R. 1989, p.35).

<sup>37</sup> The active involvement in economic activities of British and Dutch municipalities, for instance, occurs in a framework of decreasing local financial autonomy (for the UK) and high municipal dependence on earmarked financial transfers (in the case of the Netherlands), a case that, in general, does not apply to Swedish and Danish local authorities (Council of Europe, 1995-b).

is part of the basic tasks of the local level, and on the other, European states where the local authorities perform a limited range of economic activities and depend strongly on central financial support.

The geographical pattern of this diversification takes the form of a distinctive north-south dimension across Europe, with Southern European local authorities defined as those of Spain, Portugal and Greece, presenting fragmented territorial - and thus local representation - structures and lagging significantly behind on the volume and range of local economic activities. The limited performance of the urban level in these countries on all the aforementioned determinants of the competitive attributes of cities corresponds directly to the picture of spatial disparities in Europe on urban economic growth and development prospects (CEC, 1992-e, pp.49-51; CEC, 1999-g, pp.8-9 and 14).

However, the comparatively restricted capacity of the local state in Southern Europe to engage in local socio-economic activities exists within a climate of high levels of municipal statutory discretion. In the attempt to unravel the conditions under which European cities engage in territorial competition policies the examination was extended to the administrative and political profiles of the European municipalities which both as factors (regarding the efficiency of the local administration) and processes (regarding the decision-making processes of the politically accountable authorities) condition the local degree of competence (see Marcou, G. 1993, p.56).

An one-way strong correlation appeared in this inquiry between the financial and functional autonomy of municipalities and the presence of a professionalised bureaucratic mechanism, demanded precisely by the complexity of functions performed at the local level. Yet, a balance to the limited executive role of committees or bureaucracies in the Spanish, Greek, Portuguese and – in this category - French inter-municipal structures is provided by the dominance of the political element in the local administration and the outward profile of the municipality.

The following chapter inquires further into the characteristics of Southern European municipalities. In the framework of the north-south dimension of urban disparities in Europe

it explores the reasons behind the lagging economic role and administrative/institutional indicators of the local state in Spain, Greece and Portugal. The examination starts from the post-war years of rapid urban growth in these countries which, as chapter 2 discussed, were defined by a particular political and socio-economic context, described as 'peripheral Fordism'. The chapter looks into the relationship between the mode of development of the local level in Spain, Greece and Portugal during 'peripheral Fordism' and the current incapacity to restructure and pursue competitive-oriented urban governance policies.

## Chapter Five:

### The local level in Southern Europe

#### Introduction

The drawing of parallels between the evolutionary record and the current regulatory and competitive capacity of the local level in Spain, Greece and Portugal does not ignore historical differences and distinct national development trajectories (see Lipietz 1987, pp.118-27). Despite these diversities, however, the particularities of the spatial and socio-political processes that shaped the current general characteristics of the local state in these countries display structural similarities.

As discussed in chapter 3, for instance, all three countries experience the first major wave of urban centralisation in the immediate post-war period, a 'belated urbanisation-industrialisation process' if compared with the dominant urban life-cycle of other EU member States (Silva, M.R. 1992, p.120; Vasquez-Barquero, A. 1992, pp.181-2).

Also, the post-war socio-political settings of Spain, Greece and Portugal have been marked by the presence of enduring authoritarian regimes that came to an end only in the mid 1970s, with direct consequences for the role and nature of local administration<sup>1</sup>. Of particular interest is the way that these regimes ended. It was a series of military coups in 1974 and 1975 that overthrew the regime in Portugal and led to the new constitution in late 1975, the death of Franco in Spain (1975), and the Cyprus war (1974) for Greece, emphasising the sound establishment of authoritarianism and the presence of crisis absorbing structures during the rapid urban growth years (Porto, M. 1984, pp.99-101).

The aim of this study, however, is not to judge the degree of penetration of authoritarian mechanisms of regulation into the social fabric of the countries in question, but

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<sup>1</sup> Reference is made here to the establishment of a military state in 1926 and a corporatist state under Salazar in Portugal (1928-74), the Spanish civil war (1936-39) and the Francoist state that lasted for almost forty years, and the Greek dictatorial regimes of the interwar period, the civil war (1945-49) and the military coup of 1967-74 (see Williams, A.M. 1984, pp.16-21).

to analyse their implications for the development of the contemporary governance profile and competitive capacity of the local level in Spain, Greece and Portugal.

Two aspects of the urbanisation process and the national socio-political trajectories are directly relevant to the current state of affairs of Southern urban governance. First, the existence of dictatorial regimes during the immediate post-war period of accelerating urbanisation and, second, the radical changes of the mid 1970's and the brief period of transition to democracy where an unstable and newly emerged political scene searched for legitimacy after a long period of unaccountable administration (Garcia-Ramon, M.D. and Hadjimichalis, C. 1987-b, pp.95-6).

The chapter is divided into three parts:

a) The first begins with a presentation of the rates and patterns of urban growth in Southern Europe from 1960 to 1990. It explores the 'pull' factors to the cities and the economic structures of the major metropolitan centres that experienced rapid expansion during that period. Also, the spatial aspect of the settlement of the immigrants in cities is examined, focusing on the set of conditions that resulted in the housing shortages problem.

b) Based on these findings, the second part of the chapter investigates the roles and functions of local authorities in Southern Europe in the pre-1975 period in the areas of economic policies and urban planning. It questions the ability of the local state to engage in Fordist-corporatist local level regulation, as well as its capacity to control and direct urban growth.

c) The concluding section explores the specificities of Southern European local level in the post-1975 era. A particular relationship is identified between, on the one hand, the characteristics of Southern European urbanisation and the role of the local level in 'peripheral Fordist' regulation and, on the other, the current limited capacity of the local level to restructure and develop locally defined and competitive oriented urban governance regulatory processes.

### **5.1.1 Post-war urban growth in Southern Europe**

The wave of urbanisation experienced by Spain, Greece and Portugal starting in the early post-war period was substantial and extensive. With the major metropolitan centres as growth poles and a high annual rate of urban population growth, the influx of population from rural areas to the cities was part of a wider process of modernisation of Southern Europe characterised by the shifting economic orientation from a dominant and underdeveloped agrarian sector towards urban-industrial economies (CEC, 1992-e, p.67; Naylor, J. 1987, p.293). This transitional phase is schematically completed in the early 1980s with the reduction of migratory flows and the relative stabilisation of urban population (Hadjimichalis, C. and Papamichos, N. 1990, p.181). Moreover, during that period Greece (1981), Portugal and Spain (1986) were granted acceptance as full members of the European Community, a sign of the end of the period of autarky and protective economic policies that started in the late 1950s (Williams, A.M. 1984, pp.9-10; Vasquez-Barquero, A. 1992, p.165).

Table 5.1 displays the average urban growth rates for the period 1951-91 also indicating the rate of expansion of the urban population as a percentage of the total population, while table 5.2 denotes the distribution of urban growth within the countries in question during that time.

While acknowledging the practical restrictions for cross-national comparisons of urban indicators<sup>2</sup>, the trends inferred from tables 5.1 and 5.2, as well as the scale of the rural-urban migratory movements, point to a gradual concentration of migrants and, from the mid 1970s, the centralisation of the majority of population to a limited number of urban centres.

A closer look at the major 'carriers' of urban growth reveals a bipolar relation of urban centres, with Madrid and Barcelona in Spain, Lisbon and Porto in Portugal and Athens

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<sup>2</sup> As noted in chapters 3 and 4, differences in the availability of census data between countries and, most of all, dissimilar standards for administrative boundaries, make exact comparisons awkward, especially if the figures relate to sizeable cities where the metropolitan boundaries are wider than the central areas and the population significantly larger (see CEC, 1992-e, p.77). The urban population trends in tables 5.1 and 5.2 describe the population changes at the municipal level in the respective countries.



and Thessaloniki in Greece monopolising the urban hierarchy (Costa, F.J. et al. 1991, p.293;

Ferrao, J and Baptista, A.M. 1992, p.196).

**Table 5.1 : Urban Population Growth Rates in Southern Europe**

Countries	Growth Rates (%)				Urban as % of Total		
	1951-61	1961-71	1971-81	1981-91	1960	1975	1990
Greece	2.5	2.6	2	1.5	43	55.3	65.2
Portugal	1.9	1.9	2.5	1.6	23	27.7	35.6
Spain	3.4	3.4	2.1	1.0	57	69.6	76.5

**Table 5.2 : Distribution of urban population in Southern Europe**

Countries	Percentage of Urban Population				Number of Cities over 500,000 population	
	IN LARGEST CITY			INCREASE IN LARGEST CITY	1960	1990
	1960	1980	1990	1975-1990		
Greece	51	57	54.2	34.9	1	2
Portugal	47	44	53.3	59.5	1	1
Spain	13	17	13.4	6.5	5	6

*Note:* Urban population in Portugal reaches the level of 50 per cent of the country's total if semi-urban settlements of less than 10,000 inhabitants, but with industrial and service functions, are included.

Sources for tables 5.1 and 5.2: (United Nations, 1998, pp.251-4; CEC, 1992-e, pp.62 and 67; Gaspar, J. 1984, pp.211-2; World Bank, 1984, p.261).

However, as seen from table 5.2 where demographic change is approached through the principle cities of the countries in question, it is the national capitals that were the major recipients of migratory flows and the dominant centres of expansion<sup>3</sup>. Thus, by 1971, the Metropolitan areas of Madrid and Athens and by 1981 Lisbon had all reached a population of approximately 3 million people, a fact that points to the recent demographic origin of the cities (CEC, 1992-e, p.73). A further characteristic of the urban life-cycle in Southern Europe is the current - belated with the North European standards - suburbanization wave and, most characteristically, the absence of strong indications of counter-urbanisation tendencies (Leontidou, L. 1994, pp.129 and 140-1).

The debate over the European urbanisation patterns discussed in chapter 3 correlates socio-economic transformation processes with distinct stages of urban spatial evolution (CEC,

1992-e, pp.71-2). The 1960-80 decline of population of urban agglomerations in Northern Europe, for instance, was approached as the spatial manifestation of industrial, employment and residential decentralisation processes (Berg, L. et al, 1982, pp.29-36). Also, the emergence of a variation of urban development patterns - with some urban regions displaying recentralisation tendencies during the 1980s - was correlated with the growth of service sector employment and the enhanced urban socio-economic embeddedness of economic activity (Cheshire, P. 1995, p.1049-50).

In the framework of this debate, the continuous pattern of Southern European urban centralisation raises the question of the urban economies and 'pull' factors that originally drove and currently sustain the high rates of urban growth.

### **5.1.2 Urban economic structures**

The economic profiles of cities in Southern Europe during the period of rapid urban growth is approached through the examination of two areas of interest. The first explores the performance indicators of agriculture, industry and services in order to identify the interrelationship between urbanisation and the (shifting) economic structures of the countries in question. The second looks more closely at industry and investigates the capacity of the sector to accelerate the urbanisation process in the early phase of urban centralisation.

#### **Urbanisation and economic sectors**

A schematic representation of the dominant Northern European urbanisation experience involves the combination 'push' factors from rural areas, underlined by a low productivity agricultural sector and substandard living conditions, and 'pull' factors towards the urban centres, determined by the existence of an industrialisation process and the development of urban-industrial economies (Hall, P. and Hay, D. 1980, p.184; Berg, L. et al 1982, pp.25-7). An insight into the presence of structurally similar processes during the post-war period of accelerating urbanisation in Southern Europe is attempted by tables 5.3 and 5.4. In more detail, table 5.3 show the shifts in the national employment structures of Spain,

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<sup>3</sup>Especially in Portugal and Greece and to a lesser extent in Spain.

Greece and Portugal from the 1960s to the current period, while table 5.4 indicates the GDP and the average annual growth rates of industrial production in the countries from 1960 to 1990.

**Table 5.3 : Sectoral distribution of labour force (1960-1997)**

Countries	AGRICULTURE			INDUSTRY			SERVICES		
	1960	1980	1997	1960	1980	1997	1960	1980	1997
Greece	56	37	19.8	20	28	22.5	24	35	57.7
Portugal	44	28	13.3	29	35	31	27	37	55.7
Spain	42	14	8.3	31	40	29.9	27	46	61.8

Sources: (CEC, 1999, pp.234-6 and 238; World Bank, 1984, p.259).

**Table 5.4 : GDP and average annual growth rates of industry<sup>4</sup>**

	G.D.P.			Industry		
	1960-70	1970-80	1980-90	1960-70	1970-80	1980-90
Greece	6.9	4.1	1.4	10.1	6.9	1
Portugal	6.2	4.5	3.5	5	6.5	1.9
Spain	7.1	3.1	-0.2	10.4	5.1	4.8

Sources: (CEC, 1997-i, p.151; World Bank, 1984, p.221; CEC, 1997-j, pp.86-7).

The trends inferred from table 5.3 and 5.4 indicate, first, the primary contribution of agriculture as a source of employment in the early 1960s as well as its gradual decline throughout the period of the 1960s-90s. In a manner similar with Northern European urbanisation patterns, the reductions of rural population and agricultural employment in Southern Europe is associated in the literature with the low productivity of the sector, the presence of labour surpluses, and low standards of living in rural areas, factors that triggered population migration towards the urban centres (Jones, A.R. 1984, pp.237-8; Naylon, J. 1975, pp.294 and 302-3).

The second characteristic of the Southern European urbanisation process detected in the above tables corresponds to the significant rates of service employment during the early period of urban centralisation (Williams, A.M. 1984, p.8; Adrikopoulou, E. Getimis, P. and Kafkalas, G. 1992, p.214; Syrett, S. 1995, p.105). In fact, the working population engaged in

service activities equals (Spain, Portugal) or surpasses (Greece) that of industry throughout the 1960s and 1970s, while the growth rates of services in Southern Europe approximate those of industry<sup>5</sup> (see World Bank, 1984, p.221). The prominence of this trait of the corresponding urban economies contrasts sharply with the dominant role of the industrial sector in Northern European urban concentration.

#### The limitations of industry

The moderate contribution of industry as a source of employment in Southern Europe during the early period of urban growth indicates the constrained capacity of the sector in influencing the immigration patterns. This, in turn, is illustrated further by the following structural characteristics of industry in Spain, Greece and Portugal.

First, by the dominant presence of indigenous small and medium-sized firms in the organisation of industry. While the comparatively lower percentage of small firms in Spain is noted, as table 5.5 indicates, over three-quarters of manufacturing plants in Southern Europe had under ten employees during the 1970s (see Hudson, R. and Lewis, J.R. 1984, pp.197-201).

**Table 5.5 : Distribution of manufacturing plants by number of employees<sup>6</sup>**

Countries	1>9		10>99		100+	
	1970s	1990s	1970s	1990s	1970s	1990s
Greece	93.3	59	6.1	21	0.6	11
Portugal	78.6	36	17.5	27	2.7	17
Spain	76.6	36	21	30	2.4	17

Sources: (CEC, 1997-i, p.13; Hudson, R. and Lewis, J.R. 1984, p.200).

The limited manifestation of internal economies of scale in industrial firms in Southern Europe, as well as the few signs of the presence of economies of localisation affecting the spatial pattern of industrial development<sup>7</sup> points to the importance of external

<sup>4</sup> The construction sector is excluded from the industrial production figures.

<sup>5</sup> During the 1960s in Portugal and Greece, for instance, the average annual growth rate of services was 5.9 and 7.1 per cent respectively. During the 1970s, the reported rates were 3.9 per cent for Spain, 6.1 for Portugal and 4.9 per cent for Greece (World Bank, 1984, p.221).

<sup>6</sup> The 1990s figures refer to all non-agricultural employment shares.

<sup>7</sup> The concentration of urban growth (predominantly) in one urban centre of the countries in question is an indication of the absence of external economies of localisation - either based on firm specialisation or determined by the presence of raw material resources - influencing the spatial pattern of industrial development (see Louri, H. 1988, p.434).

economies caused by urbanisation effects as the major factor in industrial development. Urbanisation economies reflect the benefits from a larger labour market and service sector. In this case, the extent of scale economies relevant to a particular industry is affected by the size of a city and not its industrial composition (see Louri, H. 1988, pp.433-7).

Second, by the high rates of 'informal' industrial activity, not declared for taxation purposes<sup>8</sup>. Even though income generated in the 'black' economy is difficult to measure, it has been reported at particularly high rates in all three countries during that period, reaching or even surpassing 25 per cent of the G.D.P. at factor cost (Ioakimidis, P.C. 1984, pp.42-3; Syrett S. 1995, p.119). In this context, the percentage of the working population engaged in 'informal' activities and self-employment in Southern Europe is significant<sup>9</sup> (Hadjimichalis, C. and Papamichos, N. 1990, pp.196-7).

The third (indirect) indication of the limited role of industry as an immigration pull-factor refers to the large emigration movements of surplus labour force from Southern Europe towards the rapidly expanding Northern European economies of the post-war period, as shown in table 5.6.

For most of the mainly rural and unskilled workers the recruitment process included a move from their place of origin to the expanding cities as a prelude to emigrating abroad, in order to get the industrial 'qualifications' required (see King, R. 1984, p.151). In this context, the considerable labour mobility apparent from table 5.6 demonstrates both the structural problems of the underdeveloped agricultural sector in Spain, Greece and Portugal and the inability of the emerging urban industrial sector to absorb the influx of population to the urban centres and offer stable employment conditions<sup>10</sup>.

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<sup>8</sup> For the interrelation between the (small) size of industrial enterprises and the extent to which they tend to avoid official regulations and taxation as a mean for surviving market competition see Lubel, H. (1991), p.11.

<sup>9</sup> During the 1980s, and in all sectors of the economy approximately 23 per cent of the working population in Portugal and 21 per cent in Spain participated in the informal sector. The figures for the national capitals are similarly high, estimated at (approximately) 18 per cent of the working population of Lisbon and 14.9 of that of Madrid (Hadjimichalis, C. and Papamichos, N. 1990, pp.196-7). Also, in the early urbanisation period in Athens (1960s), self-employment reached the rate of 21,4 per cent (Tsoukalas, K. 1986, p.184).

<sup>10</sup> The debate over the role of emigration in the economic reformation of Southern Europe revolves around three main points. The first regards the economic implications of the departure from the home

**Table 5.6: Emigration from Southern Europe 1963-70<sup>11</sup>**

	Greece	Portugal	Spain
<b>Peak Years</b>			
1963	100,072	53,970	83,728
1964	105,569	86,282	102,146
1965	117,167	116,974	74,539
1966	86,896	132,834	56,795
1967	42,730	106,280	25,911
1968	50,866	104,149	66,699
1969	91,552	153,536	100,840
1970	92,681	173,267	97,657

Source: (King, R. 1984, pp.148-9).

It is suggested, therefore, that the urbanisation process was not directly influenced by an industrialisation process. Industry was not sufficiently strong as an employment provider at the time to generate the rates of urban migration experienced in Southern Europe in the immediate post-war period. However, urban growth, by generating economies of scale, facilitated a process of industrialisation characterised by rapid rates of development<sup>12</sup> and the economic transformation of Spain, Greece and Portugal into urban-industrial economies (CEC, 1992-e, p.65; Louri, H. 1988).

The limited role of industry as an initial 'pull' factor to the metropolitan centres and the precise nature of tertiary sector employment, dominated by public administration, tourist services and self-employment, points to the informality of job expectations of the migrants (Tsoukalas, K. 1986, p.184; Hadjimichalis, C. and Papamichos, N. 1990, p.201). This, in turn, generates particular sets of causal relations with distinct spatial manifestations and political implications.

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countries of a substantial number of active labour force. The second emphasises the benefits to the national economies accrued through the remittances of the emigrants. A third and more analytical approach correlates emigration and indigenous economic development by pointing to the increased income per capita that occurred in the national labour markets through their de-congestion of surplus labour force, a process that promoted the demand for industrial goods and boosted industrial production. For a review of above arguments see King, R. (1984), pp.145-7.

<sup>11</sup> The areas of destination were mainly W. Germany for Greece and France for Spain and Portugal (King, R. 1984).

<sup>12</sup> As indicated by tables 4.3 and 4.4. Also, in comparative terms, the average annual growth of GNP Per Capita of Spain, Greece and Portugal for the 1960-80 period was between 4-6 per cent, the highest amongst the OECD members with the exception of Japan (Williams, A.M. 1984, p.8).

The first involves the informality and instability of employment offered in the cities with the question of land tenure and owner occupation. The second relates the socio-economic characteristics of the construction boom of the 1950s and 1960s with the interventionist role of national and local level authorities aiming to facilitate urban growth processes.

### **5.1.3 Spatial patterns of urban growth and the political response**

#### **The 'housing' issue**

Housing is a key issue in the Southern European urbanisation process, marked by the restricted participation of the public sector in housing provision. In figures, for instance, the share of housing directly built by the public sector during the 1970s corresponds to approximately 10 per cent of the total in Portugal, 5 per cent in Spain and 1.6 per cent in Greece (Gaspar, J. 1984, p.227). This, together with the incapacity of the private sector to supply adequate levels of housing to meet expanding demand denotes the severity of housing shortage<sup>13</sup> (Gaspar, J. 1984, p.226; Williams, A.M. 1984-b, p.98).

The effects of the housing shortage and the way out of the crisis are characterised by the interaction of two distinct processes that involve: a) the ad hoc responses of the immigrants, which were remarkably consistent throughout the region<sup>14</sup>; b) the public policy response which formed this initiative.

In the first case, a turn to owner-occupation has been detected in the cities during that period, influenced by the underdeveloped urban-industrial economies. For Leontidou, it was the question of land tenure rather than location or proximity to the workplace that gained importance as the migrants, and especially the less advantaged ones, searched for long-term security to compensate for work instability and underemployment, (Leontidou, L. 1990, p.29).

As illustrated in table 5.7, and despite the absence of a substantial public sector housing-policy and the comparatively lower economic indicators of Southern Europe in the

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<sup>13</sup> A shortage of 1 million dwellings had been detected in Spain in 1961, for example, emphasising the gap between supply and demand, with Portugal and, to a lesser extent, Greece displaying a similar picture (see Gaspar, J. 1984, pp.226-7).

<sup>14</sup> See Leontidou, L. (1990).

EU context, the percentage of owner-occupier households in Greece, Spain and, to a lesser extent, Portugal, runs at rates above the EU average (CEC, 1995-j).

**Table 5.7 : Owner-occupation in Southern Europe (1988)**

COUNTRIES	%
GREECE	72
PORTUGAL	60
SPAIN	75
EU (average)	60

Source: (CEC, 1995-j, p.225).

This trend has been assisted by both the availability of public transportation in the cities that decreased the weight of the location variable, and the proliferation of high rise blocks of flats that reduced the construction cost per dwelling and made owner-occupancy an affordable solution (Getimis, P. 1989; Leontidou, L. 1990, pp.14 and 29).

For the lower financial strata of the urban population, though, that could not afford to participate in the formal housing market, the search for a realistic way out of the crisis took the form of self-built illegal constructions on the outskirts of the cities, a solution that often resulted in settlements that were substandard and lacking basic infrastructure (Wynn, M. 1984-b, p.141; Gaspar, J. 1984, pp.225-8; Lewis, J.R. and Williams, A.M. 1984, p.298). The sheer number of illegal constructions illustrates the extent of the housing crisis. The percentage of shanty town houses was reported at the level of 1.1 per cent of the total housing stock in Madrid in 1970, while unofficial estimates increased the figure to 3.9 per cent (Leontidou, L. 1990, p.252). In Athens, 33,000 houses and in Lisbon 47,000 houses were officially designated as illegal at the beginning of the 1980s, while in the whole of Portugal during the same time illegal housing represented approximately 20 per cent of the total (CEC, 1988, p.257; Gaspar, J. 1984, p.226).

#### The political context

The response of national and local level authorities in Spain, Greece and Portugal to the housing problem displays common structural characteristics due to the similarity of the



causes. Two interrelated priorities are identified in the literature as central in approaching the characteristics of the land-use control and housing policy in the three countries.

The first involves the particular political reality of the period. Influenced by the limited role of the public sector in housing, the political promotion of owner-occupation features as the most 'ideological' of the practices of the national authorities. On a pragmatic level, the promotion of self-built owner-occupied dwellings was aimed at controlling in the long-run the pressures for wage rises that could derive from the high accommodation costs due to housing shortages (see Lewis, J.R. and Williams, A.M. 1984, pp.289 and 310). On a more abstract level it was aimed at facilitating integration of the migrants into the urban centres, establishing consent on the part of the governed and thus avoiding a social crisis that could develop from the political and economic instability of the period (Getimis, P. 1989, pp.71 and 78-9 and 84-5).

Regarding illegal housing, it has to be noted that in Southern Europe this is predominantly a question of illegal constructions and not of land property rights, which were in most cases legally held by the settlers (Garcia-Ramon, D.M. and Hadjimichalis, C. 1987-b, p.96; Leontidou, L. 1994, p.133). In this context, tolerance by the respective national and local authorities of illegal housing provides a temporary solution to the urgent housing requirements of the migrants while it allows consequent political exploitation of the issue (Castells, M. 1983, pp.218-9; Lewis, J.R. and Williams, A.M. 1984, p.308). The legal recognition of squatter settlements, and their integration in town plans prior to national elections, for instance, were common occurrences in Spain, Portugal and Greece, part of an attempt by the authorities to generate dependence on the state (see Leontidou, L. 1990, p.255; Williams, A.M. 1984-b, p.96).

The second factor regulating the objectives of land-use control and housing policies is the role of the construction sector as a lever for economic development. The important contribution of building and infrastructure activities to national economic growth indicators, as well as the capacity of the sector to absorb large amounts of labour by providing opportunities for employment in Southern Europe is stressed in the literature (see Garcia-Herrera, L.M.

1987, pp.30-1; Wynn, M. 1984-b, p.123) Table 5.8 shows that both in terms of the GDP and in absolute figures, investment in house-building during urban concentration constituted a vital part of the national economies of Spain, Greece and, to a lesser extent, Portugal.

**Table 5.8 : Investment in house-building in Southern Europe**

Countries	Investment in housing as % of GDP		Homes produced/1000 Inhabitants (average)	
	1960-1981		1963-1983	
Greece	5.9		8.8	
Portugal	4.2		4.2 <sup>15</sup>	
Spain	5.7		10.5	

Sources: (Balchin, P.N. and Bull, G.H. 1987, p.142; Lewis, J.R. and Williams, A.M. 1984, p.300).

Under these circumstances, in the attempt to stimulate economic development a number of policies were launched aiming to promote construction through the relaxation of regulations and the encouragement of owner-occupancy<sup>16</sup> (Castells, M. 1983, p.219; Wassenhoven, L. 1984, p.19; Wynn, M. 1984-b, pp.129-33).

It is this particular set of conditions, formed by the political prioritisation of economic development and the simultaneous absence of a national interventionist framework for the control and direction of urban growth that defines the ambivalent urban policy profile of the period<sup>17</sup> (Leontidou, L. 1994, p.132; Williams, A.M. 1984-b, p.96; Castells, M. 1983, p.218).

<sup>15</sup> The Portuguese figure, significantly lower than the other two other Southern European countries applies to the 1971-6 period (Lewis, J.R. and Williams, A.M. 1984, p.300).

<sup>16</sup> Examples of such incentives are the 1954 and 1957 Housing Acts in Spain. Under the 1957 Act, for instance, a fixed state subsidy was made available per dwelling built by the private sector, while by the late 1950s five separate state-aided systems were in operation for public and private house constructors (see Wynn, M. 1984-b, pp.129-33). In Greece, a parliamentary Act passed in 1955 allowed small property holders to exchange their property rights for a negotiable number of flats in the future building that was going to be created on their land. This well-received regulation of selling property in exchange for flats not only reduced substantially the cost of land-value per apartment but fostered also another kind of speculation, that of selling flats before their construction, therefore minimising the entrepreneurial risk of the whole operation (Wassenhoven, L. 1984, p.19). In Portugal, the fostering of construction and owner-occupation was attempted through exceptions from sales and property taxes for all new dwellings, as well as through the subsidies given on interest paid on mortgages (Lewis, J.R. and Williams, A.M. 1984, p.310).

<sup>17</sup> Examples of the ambivalent and sometimes contradictory nature of national housing policies are provided by all three countries. In Portugal, for instance, the state organised in 1974 self-help schemes for the residents of illegal settlements providing investment and technical assistance (see Lewis, J.R. and Williams, A.M. 1984, p.315). In Greece, unauthorised subdivision of land into housing plots by

Evidence of this is constituted by the proliferation of speculative undertakings and illegal construction and, most characteristically, the tolerance by national and local level planning authorities of the violation of regulations and planning procedures in all three countries in question<sup>18</sup> (Andrikopoulou, E. Getimis, P. and Kafkalas, G. 1992, p.218; Wynn, M. 1984-b, p.135).

The next part of the chapter focuses on the local level in Southern Europe from the 1950s to the fall of the dictatorships. It explores the capacity and limitations of local administration as defined through the particular socio-economic characteristics of the urbanisation process and the political circumstances of the era.

### **5.2 Local administration in Southern Europe (1950-75)**

For the Southern European states the period from 1950 to 1975 was marked by the transition to a Fordist model. During accelerating urbanisation there was strong evidence for the emergence of industrial economies with Fordist tendencies, but neither Spain, Greece nor Portugal present the structural characteristics of the Fordist regulatory compromise. Because of both the narrow urban-industrial base and limited trade union liberties, growth in social demand in these countries was neither institutionally regulated at the national level nor adjusted to productivity gains in (limited) Fordist local branches (Lipietz, A. 1987, p.79).

The primary responsibilities of the national authorities were directed towards the provision of the minimum conditions which could guarantee the reproduction of the socio-economic structure, focusing on the advancement of industrialisation and the achievement of societal consensus (Andrikopoulou, E. Getimis, P. and Kafkalas, G. 1992, p.214). The acceptance and active tolerance by the national authorities of informal economic activities and unordered urban expansion are, in that sense, part of the 'formal' regulatory system, a

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landowners was taxed by the state, while until 1985 public utility corporations were obliged to provide their services to all houses including those that were officially declared as illegally constructed (Getimis, P. 1989, p.79). An example from Spain involves the misuse of the local plan mechanism by the local authorities through a change of the land-use classification from agriculture to residential use (Wynn, M. 1984-b, p.138).

reproducible arrangement in the medium term where political legitimacy was claimed on the basis of high growth rates and the gradual industrialisation of the three countries<sup>19</sup> (Hadjimichalis, C. and Papamichos, N. 1990, p.197).

However, the progression towards a Fordist regime of accumulation revealed the regulatory limits of authoritarian administration. Economic development generated important institutional contradictions as rising productivity and the evolution of wages could no longer be founded on bureaucratic imposition<sup>20</sup> (Maravall, J.M. 1997, p.49). Furthermore, the economic recession of the early 1970s and the oil crisis, by affecting the economic efficiency of the three countries and, consequently, the major legitimising ideology of the regimes, led to their collapse in the middle of the decade (Maravall, J.M. 1997, p.50).

In this schematic representation of the traits of 'peripheral' Fordism, the role and functions of local authorities were minimal. Three particular political and socio-economic characteristics of Spain, Greece and Portugal define the role of the local state in local level regulatory processes.

First, the presence of a socio-economic development model in which national objectives prevail over local interests. The centralised nature of political administration in Southern Europe from the post-war period to the mid 1970s does not conform to the ideal-typical Fordist pattern of the organisation of production in which the economy is managed at the national level (Garofoli, G. 1992, p.4). Centralisation in these cases was the outcome of the authoritarian nature of the respective political systems, and was combined with political repression and limited organised representation of interests (Lewis, J.R. and Williams, A.M. 1984, p.283). Control by national authorities over local level politics and policies was

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<sup>18</sup> A standard speculative venture reported in Spanish and Greek cities, for instance, consisted of illegal rooftop additions within the approved plan, which gave the middle classes supplementary dwellings for exploitation (see Leontidou, L. 1990, p.249).

<sup>19</sup> An indication of the search for political legitimacy on the basis of economic performance is presented by national policies on wages. Thus, for the 1961-73 period, and despite the prohibition on trade union representation, the average annual increase in real wages was 5.8 per cent in Greece, 6.7 in Portugal and 7.1 per cent in Spain, compared to an average of 4.5 per cent in the then European Community countries (Maravall, J.M. 1997, p.52).

<sup>20</sup> As Maravall, J.M. stresses, the introduction of a limited form of collective bargaining in Spain (1959), and Portugal (1969) resulted in the institutionalised re-organisation of the labour movement in

achieved through the appointment of public sector officials at the local level and the financial dependence of local authorities on central funds<sup>21</sup> (Syrett, S. 1995, p.150; Vazquez-Barquero, A. 1992, p.182; Naylor, J. 1975, p.299).

A particular structural characteristic of this administrative model with direct consequences for the role and functions of the local state is the pattern of political clientelism. The underdeveloped and centralised regulatory framework of peripheral Fordism indicates that social and economic activities depended on piecemeal decisions by the respective national authorities (Hadjimichalis, C. and Papamichos, N. 1990, p.200). In this context, political affiliations became more important than social or economic institutional arrangements (Mouzelis, N. 1986, pp.73-9 and 82-3). The constrained policy-making powers of the local level, and the dominance of political favouritism and patronage in decision-making, points to the minimal regulatory role of the local authorities, functioning primarily as an administrative agent of the state and a mediator between (fragmented and private) local interests and the national authorities (Syrett, S. 1995, p.150).

Second, the limited financial and technical resources at the disposal of the local level, and the constrained capacity of local authorities to utilise local sources of revenue in accordance with local needs<sup>22</sup> (Naylor, J. 1975, p.311; Lewis, J.R. and Williams A.M. 1984, p.307). In the framework of a hierarchical and ineffective national administration this characteristic of local authorities indicates the structural inability of municipalities to participate in and influence the trajectories of urban growth (see Naylor, J. 1975, p.297). In the area of land-use planning, for instance, the majority of local authorities in Portugal did not have approved 'general urbanisation plans' as was obligatory under the 1944 Act to control speculative and illegal constructions, nor did they have the fiscal or technical capacity to

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these countries and generated a new social dynamic that questioned authoritarianism (see Maravall, J.M. 1997, p.48).

<sup>21</sup> In fact, in Portugal, the local Mayor was directly appointed by the State and was subsequently responsible for the selection of the members that would form the municipal council (Syrett, S. 1995, p.150).

<sup>22</sup> In Spain, for instance, local revenue was collected on behalf of the local state by the Finance Ministry in the form of taxes, an administrative arrangement that permitted strict central control on local spending (see Naylor, J. 1975, p.311).

develop such plans, while in Greece even today no land registration system exists (see Williams, A.M. 1984-b, p.92; Leontidou, L. 1994, p.131). In Spain, a ministerial reorganisation one year after the introduction of the 1956 Land and Urban Planning Act increased central intervention, minimised the role of provincial planning commissions and destroyed the coherency of the country's planning structures (Wynn, M. 1984, pp.136-46). As a result, by the early 1970s, only 1389 municipalities out of the total of 9000 possessed urban plans (Wynn, M. 1984, p.143).

The third characteristic that addresses the regulatory capacity of local administration regards the segmentation of the local labour markets, a feature of local societies with distinct economic and political causes. The main economic reasons for the fragmentation of local labour markets involve the non-generalisation of 'wage-relations'<sup>23</sup>, and the large proportion of the urban population involved in informal economic activities (Andrikopoulou, E. Getimis, P. and Kafkalas, G. 1992, p.213). Political reasons include the politically constrained labour market and underdeveloped unionisation in Spain, Greece and Portugal during the years of authoritarian administration (Vasquez-Barquero, A. 1992, p.167; Hadjimichalis, C. and Papamichos, N. 1990, p.197).

Under these circumstances, the social and political aspects of peripheral Fordism as a spatially organised process, were hardly expressed at the local level. Contrary to the ideal-typical profile of actions of the Fordist local state, the representative functions of Southern European local government during accelerating urbanisation did not play a major role in the construction of consensual wage-relation and corporatist politics. Nor did the local state create local spaces of regulation underpinning the national social and political compromises by developing local collective bargaining structures, or through its role in the provision of public services (Painter, J. 1991, pp.28-9). Such arrangements were underdeveloped even at the national level, while the authoritarian nature of the national administration further restricted and distorted the local articulation of regulatory forms.

It is for this set of reasons that Spain, Greece and Portugal did not advance local level restructuring processes similar to the ones that occurred in north-western Europe from the 1950s to the 1970s, as discussed in chapter 4. Territorial restructuring in north-western European countries during that time reflected, among other things, considerations about the advantages of scale economies in service delivery and the equipping of the local level with the appropriate (in fiscal and political terms) functional geographical area for autonomous administration (Council of Europe, 1995, p.23). The lagging political role of local administration in Southern Europe combined with the deficient local technical and financial resources did not justify a similar attempt (Williams, A.M. 1984-b, pp.93 and 95).

Consequent developments in the period after 1970s, and in particular the reestablishment of democracy and the emergence of a new political infrastructure in Spain, Greece and Portugal did essentially modify the nature of central-local interaction. However, despite the political adjustments and increased responsibilities reserved in the new constitutions for the local administration, the regulatory capacity of the local level presents inherent structural constraints.

### **5.3 Current characteristics of the local level**

The new Constitutions in Greece (1975), Portugal (1976) and Spain (1978), with the re-introduction of local elections established democratic local administration. This, in turn, was followed by a range of institutional changes in the three countries regarding the organisation of local units, the legal framework for local authority action, the relationship between levels of government and the consolidation of local finances<sup>24</sup> (Pereira, A. 1991; pp.137-8; Harloff, E.M. 1987, pp.67 and 124).

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<sup>23</sup> As a result of the importance - diminishing at that time but still considerable - of agriculture in the national economies (see table 4.3), and the structural traits of the sector, characterised by fragmentation of landholdings (minifundismo), (see Naylon, J. 1975, p.294 and 302-3).

<sup>24</sup> See, for instance the Local Elections Act (1976), the Local Government Act (1977) and the Local Finances Act (1979) in Portugal; the Presidential Decree (1975) and the Municipal and Communal code (1980) in Greece; and the establishment of regional political administration in Spain (1978), and the Spanish Local Government Act in 1985 (Pereira, A. 1991, p.138; Harloff, E.M. 1987, pp. 67 and 124).

Beyond the decentralised forms of the new institutions, however, central in exploring the current profile of the local level in Spain, Greece and Portugal are particular economic and socio-political characteristics of the new democracies that illustrate the governance structures and competitive capacity of the local state.

#### Economic limitations

The discussion in this chapter of the role of local authorities in Spain, Greece and Portugal from the post-war period to the mid-1970s stressed the importance of the socio-economic particularities of the Southern European urbanisation process and centralised authoritarian political-administrative structures as causal factors in explaining the constrained degree of local financial autonomy. The examination of the current economic characteristics of the local level in the EU countries conducted in chapter 4, however, illustrated the continuing comparatively restricted scope of local financial autonomy (Council of Europe, 1997, pp.19 and 25 and 27).

The limited economic decentralisation that occurred in Spain, Greece and Portugal after the transition to democracy is partly explained by the 1973 and 1979 oil crises and the downturn in international economic growth of the mid-1970s (World Bank, 1987, p.40). For Southern Europe, in particular, the economic recession of the 1970s minimised opportunities for the development of Fordist mode of regulation provided by the establishment of democratic institutions (Lipietz, A. 1987, p.127). Instead of a Fordist type socio-economic compromise that would have upgraded the regulatory role and economic functions of the local level, the economic priorities of the new regimes were primarily oriented towards the following targets.

First, the confrontation of the economic crisis. The legacy of authoritarian economic policies and in particular economic protectionism, inflexible economic structures, extended state intervention in the economy through the regulation of the market and prices, and the heavy reliance on imported energy, resulted in a sharp economic decline since the mid 1970s (Williams, A.M. 1989, p.204). For these reasons, the economic recession was more acute in



Spain, Greece and Portugal than in the European Community countries of that time and was manifested in the growth performance, inflation and unemployment indicators of the three countries<sup>25</sup> (see Maravall, J.M. 1997, pp.50-82).

Second, with the exception of Portugal during the first two years after the fall of the dictatorship, a postponement of structural economic reforms is noted as there were concerns from the new political authorities about the political consequences of attempting to establish a greater economic discipline and to address issues of economic restructuring<sup>26</sup> (Maravall, J.M. 1997, pp.78-9 and 84). Examples of the influence of this type of political consideration on economic choices are the extended nationalisation programmes of loss-making companies, as well as the introduction of income redistribution schemes supported by significant increases in public spending<sup>27</sup> (Sole-Vilanova, J. 1989, p.206; Lewis, J.R. and Williams, A.M. 1984, p.284; Maraval, J.M. 1997, p.78; Ioakimidis, P.C. 1984, p.44).

In this framework of fiscal limitations and minimal economic experimentation, the transferring of economic functions to the local level was not a dominant political priority and thus was not advanced in Southern Europe during the early period of transition to democracy (Vazquez-Barquero, A. 1992, p.113; Lyrantzis, C. 1989, p.47; Syrett, S. 1995, p.155). In the attempt to illustrate the restricted devolution of power in the latter period of democratic administration as noted in chapter 4, the next part of the chapter explores the influence of the emergent political structures on the local authority profile, focusing on the role and priorities of the new political parties.

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<sup>25</sup> For instance, and in 1974, GDP growth rate per annum dropped to 1.1 per cent in Portugal, 0.5 in Spain and -3.6 in Greece. During 1974 and 1975, exports from Portugal fell by 21 per cent and investment by 37 per cent, while prices rose by 43.3 per cent. In Greece, inflation doubled in the space of three years averaging 15.7 between 1974 and 1981, while in Spain, inflation rose from 11 to 25 per cent between 1973 and 1977 and unemployment doubled during these years, from 4.5 to 8.6 per cent of the active labour force (Maravall, J.M. 1997, pp.50 and 75 and 78 and 82).

<sup>26</sup> The austerity/deflationary programmes introduced by the Socialist-Social Democratic government coalition in Portugal during 1983-6, and the austerity programme launched by the Greek Socialist government in 1985 are the first manifestations of a political response to the structural economic problems of these countries, indicating also the urgency for economic reform (see Lyrantzis, C. 1989, p.42; Gallagher, T. 1989, p.23; Williams, A.M. 1989).

<sup>27</sup> In Spain, for instance, public sector expenditure increased gradually from 24.5 per cent of the G.D.P. in 1975 (the year that Franco died) to 42 per cent in 1987 (Sole-Vilanova, J. 1989, p.206). Similarly, in Greece, public expenditure rose 670 per cent between 1974 and 1982, while in Portugal public spending

### Political structures

Two issues are addressed here as relevant in understanding the impact of the political structures of the three countries on the development of the local level since democratisation.

The first is the intense political instability of the early period of democracy, manifested by the persistent appearance of conspiracies and attempted military coups in Spain (1978, 1981 and 1982) and Greece (1975), and by the 16 governments that held power in Portugal in the first 11 years after the revolution (Ferraó, J. 1987, p.99; Maravall, J.M. 1997, p.79; Gallagher, T. 1989, pp.13-5).

The second notes that the creation of mass political parties in the mid-1970s in Spain, Greece and Portugal, coincides with the development of new welfare service apparatuses and local level institutions. Due to the novelty of the democratic structures as well as the disproportional electoral systems (in Spain and Greece) the expansion of central and local level bureaucracy was as a process organised and controlled from the very beginning by the new political parties, and in particular the main governing parties (see Ignazi, P. and Ysmal, C. 1998, pp.295-6 and 301; Colome, G. and Lopez-Nieto, L. 1998, p.242).

In an era of economic crisis and political uncertainty, the search for legitimacy on the new political scene was expressed primarily through redistributive measures and the utilisation of central and local level resources at the disposal of the political parties (Hadjimichalis, C. and Papamichos, N. 1990, p.200). The aforementioned increases in public spending in all three countries, as well as the postponement of structural economic intervention despite the problems of their economies in the late 1970s are examples of this.

A further manifestation of this trend in the attempt to advance the legitimacy of the political parties, can be seen in the significant public sector employment growth in the post 1975 period (see Ignazi, P. and Ysmal, C. 1998, p.298; Gillespie, R. and Gallagher, T. 1989, pp.176-7). Although this trend partly reflects the comparatively recent move of the state in

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increased 25 per cent in real terms in the first two years of the transition to democracy (Ioakimidis, P.C. 1984, p.44; Maravall, J.M. 1997, p.78).

Southern Europe into areas of collective provision<sup>28</sup>, it is primarily associated in the literature with the development of party patronage relations and clientelistic networks of electoral support (Syrett, S. 1995, pp.66-7). Examples of political clientelism - going beyond employment provision in the public sector to form part of the political culture in Southern Europe - are found in both Spain and Greece, and to a lesser extent in Portugal<sup>29</sup> (see Lyrantzis, C. 1989, pp.43-4; Gillespie, R. 1989, pp.73 and 83-4; Gillespie, R. and Gallagher, T. 1989, pp.176-7; Pridham, G. 1989, pp.152-3).

The clientelistic patterns of political interaction in contemporary Southern Europe do not reflect the continuation of the 'patron-client' dyadic relationship<sup>30</sup> that existed during the dictatorial regimes (Page, E.C. 1991, pp.126-30; Ignazi, P. and Ysmal, C. 1998, p.301). As the political parties assumed all responsibilities for the consolidation of democracy they became the sole structure for political mobilisation (Spourdalakis, M. 1998, p.210). Therefore, a depersonalisation of traditional clientelistic structures occurred and 'mass' or 'machine' clientelism developed, where the 'incentives' were provided by the party structures and organisations resulting in 'state/bureaucratic forms of patronage' (Mouzelis, 1986, p.77; Ignazi, P. and Ysmal, C. 1998, pp.298 and 301). The promotion of clientelistic policies and party patronage relations had direct consequences on the nature of local level policy-making and administration.

Clientelism at the local level is typified by the promotion of informal, non-institutionalised interests and demands within the local policy agenda in an attempt to accommodate various pressures and generate relations of political and electoral patronage<sup>31</sup>

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<sup>28</sup> Such as education, housing policies, vocational training and local level administration.

<sup>29</sup> In the Portuguese case the presence of minority and coalition governments placed constraints on the ability of the governing parties to enlarge their electoral base by rewarding supporters with jobs at different levels of the state bureaucracy (Pridham, G. 1989, p.152). However, the presence of clientelistic practices in Portugal can be seen in Gallagher, T. (1989), pp.17 and 19 and 31.

<sup>30</sup> Citizens' access to resource structures is not based anymore on their personal contact with the local MP, the appointed mayor or the local political 'notable' (Page, E.C. 1991, p.130).

<sup>31</sup> The 'Operation for Urban Reconstruction' launched in 1983 aiming at the organisation of the anarchic urban sprawl of all major settlements in Greece constitutes a very eloquent example of the multitude of 'private' interests allowed access to the local decision-making mechanism in return for electoral support. The main goal of the operation was the legalisation of all existing illegal settlements in the context of comprehensive Master Plans for 500 Greek towns and cities. As a result of pressures exercised by local authorities, owners of illegal housing and land co-operatives, instead of the 16,000

(Spourdalakis, M. 1998, p.210; Hadjimichalis, C. and Papamichos, N. 1990, pp.200-1). This, in turn, is expressed in many aspects of the local administration.

At a pragmatic level, clientelism is manifested through the utilisation of the local state as an employment provider by the national parties in order to recompense party supporters. The impressive rise of the Socialist Party in Spain (PSOE), for instance, from 29 per cent of the votes in the 1977 elections to 48 per cent in 1982 is attributed, by Heywood, both to the successful management of its officials and to the appointment of party members in the local government apparatus that was under the control of the party (Heywood, P. 1987, p.207). Also, the role of the local level structures of the Greek Socialist party (PASOK) as an apparatus for distributing favours aimed at the expansion of electoral support is recognised in the literature (Spourdalakis, M. 1998, p.210; Psychopaidis, K. and Getimis, P. 1989, p.266).

At a higher level of abstraction, clientelistic patterns distort the representational role of local authorities and result in fragmented and incoherent urban policy regimes. Local politics, in that sense, rather than reflecting the local institutional articulation of interests is defined in terms of national politics (Hadjimichalis, C. and Papamichos, N. 1990, p.200). The dominant role of national political parties in local political infrastructure and priorities is recognised as a distinct factor that structurally constrains the endogenous socio-economic development potential of the local level in Spain, Greece and Portugal (see Syrett, S. 1995, p.98; Lyrintzis, C. 1989, pp.47-8; Page, E.C. 1991, pp.130-1).

Yet the underdeveloped local political and economic profile in Southern Europe is not determined by the absence of statutory provisions defining the rights and responsibilities of the local authorities. As discussed in chapter 4, the limited range of functions performed under local initiative, and the high dependence on central government fiscal support, coexist with a climate of high levels of institutionalised municipal discretion (Council of Europe, 1995-b; Page, E.C. 1991). The characteristics of Southern European local administration are more a result of the nature of local discretion, influenced by both the distinctive economic and

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hectares initially estimated as required for new housing areas, 35,000 hectares were finally incorporated in the new Urban Plan (Getimis, P. 1992, p.247).

socio-political traits of the respective urbanisation processes and by the consequent political developments in Spain, Greece and Portugal.

### Conclusion

In the attempt to explain the reasons behind the different competitive attributes of Southern European cities this chapter explored the urbanisation processes in Spain, Greece and Portugal as the context in which the mode of restructuring of the local level in the direction of entrepreneurial urban governance occurs.

A particular relationship was identified between the lagging competitive characteristics of the local level - the administrative deficiencies, the limited involvement of the local state in economic initiatives and the inadequate degree of local financial and political autonomy - and the economic and socio-political features of the urbanisation processes in Southern Europe. More importantly, though, the structural divergence of the Southern European urbanisation process from the dominant Northern European urbanisation pattern(s) was highlighted.

The dissimilarity of the urban spatial forms of Southern Europe from the dominant Northern-European urban life-cycle as detected by the studies of the Hall, P. and Hay, D. (1980) and Berg, L. et al (1982), do not reflect the belated industrialisation of Spain, Greece and Portugal. They attest to the particularity of 'peripheral Fordist' urban trajectories in post-war Southern Europe, manifested in a process of 'urbanisation without industrialisation' (Fried, R.C. 1973, p.108; Leontidou, L. 1991, p.29). This, in turn, has defined both the context in which the local level operated since the post-war period, and the current urban restructuring modes in Spain, Greece and Portugal. The absence of 'Fordist-type' corporate arrangements at the local level, underpinning national socio-economic compromises, arrested the regulatory functions of the local level. Without such economic and socio-political infrastructure, local level restructuring processes aiming to advance competitive-oriented urban governance were restrained and minimal.

It is suggested, therefore, that central in the analysis of the lagging competitiveness of the local level in Southern Europe is the structural divergence of the context in which the local state was called upon to operate in 'peripheral Fordism' from the 'ideal typical' Northern European Fordist / post-Fordist framework of urban restructuring and resurgence.

This argument does not ignore the profound historical, political and economic differences that exist between Spain, Greece and Portugal (Mouzelis, N. 1986, pp.222-3). Politically, for instance, the mode whereby dictatorial regimes were established, or their duration during the post-war period, varies considerably between the three countries (see Williams, A.M. 1984, pp.16-21; Diamandouros, N. 1998, p.190). Also, the precise conditions under which authoritarian rule was terminated are better approached through an individualised analysis of the national socio-economic formations (Tsoukalas, C. 1986-b; Porto, M, 1984).

Similarly, Spanish, Greek and Portuguese post-war (and current) economic trajectories present significant variations (see Lipietz, A. pp.123-5 and 127-8; CEC, 1997-i). Portugal was, up until the mid 1970s, still a colonial power, albeit with backward economic structures. Spain - notably the largest in terms of population - attempted during Franco's regime to develop a home market by raising wages and following import substitution policies<sup>32</sup> (Maravall, J.M. 1997, p.41). Greece on the other hand, with a comparatively higher proportion of agricultural employment and the marked contribution of shipping to its economy, followed consumption patterns that were not commensurate with domestic productive capacity (Ioakimidis, P.C. 1984, pp.40-2; CEC, 1997-i, p.11). These (schematically presented) differences are not underestimated. Yet, the authoritarian political leadership and the underdeveloped industrial structures - in their various national manifestations - display structural similarities regarding the role of the local state during the post-war period. This points to the distinct context of urban restructuring and governance in Southern Europe.

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<sup>32</sup> Notably since the introduction of the Protection and Promotion of New Industries Act in 1939 (Maravall, J.M. 1997, p.41).

Neither does this theorisation disregard the current potential autonomy of Southern European cities to shape their future. The case of Barcelona, well documented in the literature, provides a typical example of de-industrialisation – industrial restructuring facilitated by diffused urban governance processes (Sanchez, J.E. 1997, pp.188-95 and 200-2; Newman, P. and Thornley, A. 1996, pp.91-5). Yet the absence of further examples similar to Barcelona puts, in a sense, more emphasis on the thesis for a North-South divide of urban governance in Europe. This divide is apparent where empirical indicators of urban competitiveness are concerned (chapter 4). More importantly, though, it relates to different local socio-political infrastructures and regulatory roles for the local state. It also accounts for the underdevelopment of the economic and administrative indicators of competitiveness of cities in Spain, Greece and Portugal.

The significance of this contention for the examination of uneven development processes in the EU has been demonstrated through the identification of the north-south polarised structure of the emerging European urban system (Lever, W.F. 1993; Grasland, L. and Jensen-Butler, C. 1997). It is also relevant to the launch of cross-national urban initiatives by the European Union.

The urban dimension of socio-economic disparities is increasingly addressed at the EU level in the framework of the promotion of balanced socio-economic development. The introduction of EU urban programmes started with the 1988 reform of the Structural Funds (Urban Pilot Projects) and was followed by various local initiatives after the 1993 revision of structural policies (RECITE, ECOS/OUVERTURE, URBAN Initiatives). Moreover, this policy shift is supported by constitutional changes that facilitate EU urban intervention (Article 130-b – CEC, 1992-a, p.54; CEC, 1995-a; CEC, 1995-b).

The north-south disparity of urban growth prospects in Europe implies that the focus of the Community's local level policies is (or, should be) on the Southern local level. Yet, these policies rely on the active participation of the local level in their organisation and implementation stages (CEC, 1994-d, pp.102-3; CEC, 1997-l, p.14). The success with which the EU urban initiatives address the polarised trends of urban Europe, therefore, is dependent

upon the recognition and incorporation in their policy framework of the structural (economic and socio-political) distinctiveness of the Southern local level. The extent that the north-south divide of urban governance in Europe is addressed in EU urban programmes and the implications of this for the effectiveness of EU urban initiatives is explored in chapters 6-9 of the thesis.



## **Chapter Six:**

### **The urban dimension in EU spatial policies**

#### **Introduction**

The relationship between the evolving socio-economic environment in which the Community operates, and the shifting content and orientation of spatial policies at the European level is the focus of this chapter. The objective is to outline EU spatial policy trajectories and indicate emerging priorities marked by the upgraded role of the local level in the promotion of targets of economic competitiveness and cohesion. This chapter, by exploring the trajectories and mode of EU urban intervention illustrates the extent that EU urban initiatives consider and address the North-south differences of urban Europe in their structures. It also creates the background for further analysis of what is being proposed by the EU as urban policy and the relevance of the diversity of urban Europe to the way European cities are defined as objects of EU policy. This is explored further in the case-study chapters and discussed in more detail in the concluding chapter.

The chapter is divided into three parts according to a (schematic) periodization of the changing agenda of the Community's spatial policies. The first covers the period from the European Coal and Steel Community (ECSC) to the beginning of the 1970s, and illustrates the rationale behind the promotion of a market-led integration process and the launch of policies centring on the coal/steel sectors and agriculture. The second section explores the Thomson Report to the Commission (1973), the establishment of the European Regional Development Fund (ERDF) and the 1984 reform of the Structural Funds, identified as the period when the regional dimension of cohesion policies came to the fore. The final and more extensive part of the chapter relates to developments of the last 15 years, covering the period until the 1999 reform of the Structural Funds. It explores the relationship between the targets of economic

and monetary integration<sup>1</sup> and the policy orientation of the Structural Funds, focusing on the 1994-99 operational framework.

The gradual development of the policy focus at the intra-regional/urban level during the 1988-99 period is manifest in the introduction of decentralising policy principles and initiatives aiming to “increase visibility and efficiency” in structural policies (CEC, 1994-f, p.1; CEC, 1997-k, p.16). The exploration of the context of these policy changes will address three issues:

- a) It will shed light on the changing and current targets of the Community’s spatial policies.
- b) It will provide an overview of the EU urban initiatives of the 1988-99 period, their particular targets and organisational structure.
- c) It will furnish the thesis with the necessary background information for the identification of the relevant EU urban programmes in order to examine their effectiveness regarding the north-south differences of urban Europe.

More importantly, though, this review will illustrate the nature of urban policy formulation at the EU level. The acknowledgement of particular urban ‘problems’ by the EU as requiring policy intervention and the adoption of particular policy forms, are political processes open to multiple interpretations and subject to pressures from a wide spectrum of interest groups (see Pickvance, C. 1996, pp.329 and 333). This chapter provides an insight into the context of, and rationale behind, the prioritisation of ‘economic competitiveness’ and restructuring as the key objectives of EU urban intervention. It also looks at the adoption of ‘networking’ as the main form of urban policy aiming to promote these targets.

It is argued that a novel and distinct form of urban governance policy is being advanced by the EU. Such a policy development rests upon local governance structures as the basis of the EU involvement in urban Europe. Insight into the characteristics of this policy shift will facilitate the examination of the effectiveness and consequences of EU urban intervention in the context of the North-South differences of urban governance in Europe.

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<sup>1</sup> Single European Act – 1986; Economic and Monetary Union – 1992.

## **6.1 The Treaty of Rome and spatial disparities**

Exploring the motive forces leading to the foundation of the EC, it is difficult to distinguish between two targets. First, the urge for the exploitation of advantages expected to derive from closer economic co-operation amongst the member states, and second, the establishment of the Community as a means to prevent future tensions in Western Europe. Collaboration and the promotion of intergovernmental institutions in Western Europe appeared at the beginning of the cold-war period, where economic growth and political stability were also heterogeneously defined by the east-west antagonism<sup>2</sup> (Stevens, A. 1992).

In this general background, it is precisely the same blend of political and economic considerations that led the initiative for a less war-reflecting macro-economic arrangement, the creation of the European Coal and Steel Community (ECSC)<sup>3</sup> in the Treaty of Paris (1951). The specific distinction of the ECSC is that the founding members (France, Italy, Belgium, the Netherlands, Luxembourg and West Germany) agreed to be bound by the decisions reached in the ECSC policy-making framework, while the latter could exercise its administrative powers without requiring further processes of national legislation (Stevens, A. 1992, p.73).

However, in approaching the ECSC as the forerunner of the EC and a particular stage of European spatial policies it is noted that the ECSC put forward a limited collaborative arrangement, one that would strictly serve and advance the interests of the aforementioned

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<sup>2</sup> Co-operation as means to prevent future tensions and forward economic growth was itself a highly political target in Western Europe. In fact, the Organisation for European Economic Co-operation (OEEC) was created to administer post-war United States (US) aid to Western European allies as part of the 'European Recovery Programme' and the 'Containment' policy-principle of the US for the prevention of Soviet interference in western Europe. Participation in the aid scheme was conditional upon co-operation between recipients (Stevens, A. 1992, p.73). Similarly, the establishment of the Council of Europe the same year (1949), aimed at preventing future conflict within Europe through the building of inter-governmental political institutions (Tsinisizelis, M.I. 1995, pp.26-9).

<sup>3</sup> The aim of the Treaty, based on the plans of the then chief of the French economic planning department J. Monnet and supported by the French Minister of Foreign Affairs R. Schuman, was the settlement of the long-running Franco-German dispute over the exchange of raw materials from the Lorraine (steel) and Rhur (coal) regions with an arrangement that would allow the essential complementarity of these industries to develop. In this context, the broader cross-national adjacent area defined by the regions of Ruhr, Nord/pas de Calais and Sambre-Meuse and including Belgium, Netherlands and Luxembourg (already in the BENELUX customs union since 1948) has been known as the 'Heavy Industrial Triangle' of Europe (Minshull, G.N. 1985, p.75).

economic sectors. A wider compromise requiring further commitment of political and economic resources by the member states was not agreed to (Williams, A.M. 1987, p.34).

The Treaty of Rome (1957), promoting the free movement of goods, services, capital and people as the fundamental principles of European integration reflects this rationale as it constituted a more developed interpretation of the economic version of the ECSC with a limited hand-over of national political powers (CEC, 1987-a).

### The Treaty of Rome

With the Treaty of Rome the ECSC member states established the European Economic Community<sup>4</sup>, aiming at the creation of a Single Market through the elimination of custom duties and the introduction of a common external tariff by 1969 (CEC, 1987-a, p.127). The main innovation of the Treaty of Rome is that the member states entrusted solely to the Community's institutions the promotion of the integration process. Excluding the regulatory articles about the 'Customs Union', the Commission enjoyed substantial flexibility in interpreting the broad statements of the Treaty, a policy framework agreed unanimously by the member states (Andrikopoulou, E. 1995, p.131).

Regarding spatial disparities, the Treaty of Rome expressed clearly contemporary considerations about the implications to the integration process of a potentially uneven distribution of growth. In this context, Article 2 stated as a target "a harmonious development of economic activities and a continuous and balanced expansion", while Article 92 indicated that Community aid should encourage the "promotion of economic development of areas with serious disturbance in the economy" (CEC, 1987-a, pp.125 and 198). For this reason the European Investment Bank (EIB - Article 130) was established in order to assist infrastructure projects in the less developed areas of the Community, and the European Social Fund (ESF- Article 123) was created in order to foster labour migration and training (CEC, 1987-a, pp.226 and 230). Comprehensive arrangements were made only for the agricultural sector after fears

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<sup>4</sup> The ECSC together with the EEC and the European Atomic Energy Authority, set up also in Rome (1957) in order to co-ordinate the atomic research and energy programmes of the six member states, constitute, since the 1965 Merger Treaty, the European Communities, and have a single Council and the Commission as a single executive body (CEC, 1987-a).

were raised and political pressure exercised primarily by France about the implications of aggregated competition to small farm owners<sup>5</sup> (Folmer, C. et al, 1993, pp.4 and 6).

The absence of distinct provisions in the Treaty for the tackling of spatial disparities reflects the general optimistic climate in the post-war reconstruction period and the high growth rates of the drafting members in the 1950s and early 1960s (CEC, 1978-a, p.6). More characteristically, though, it is an indication that the Treaty originators drew on a prevailing liberal political and economic ideology in addressing the issue of unbalanced growth (Holland, S. 1980, pp.3-4). According to this argument, the liberalisation of trade, capital flows and labour migration between countries and regions is self-adjusting and results in overall welfare increase (see Holland, S. 1980, pp.56-9). Regional economic stagnation and under-development, therefore, were approached as a temporary situation, while it was believed that convergence would be better achieved through the promotion of the Common Market agreement (CEC, 1978-a). Regional policy, as a consequence, was not codified in the Treaty as a distinct area where the Community could intervene, remaining under the competence of the national governments.

However, the acceptance of Community action that addresses spatial disparities (Articles 92 and 235) opened indirectly the debate about a European regional policy framework. This is apparent in a number of policy developments at the EC level throughout the late 1960s and early 1970s.

In 1968 the Directorate General XVI for Regional Policy was set up in order to assist the operations of the ESF and the European Agricultural Guarantee and Guidance Fund (Guidance Section), while the Werner Plan<sup>6</sup> the same year approached regional disparities as a major obstacle to the integration process and proposed Community action (E. Andricopoulou, 1995, p.147). Furthermore, the third programme for the Community's mid-term economic policy (1971), stressed the necessity for the assumption of a pro-active role by the

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<sup>5</sup> The creation of the strongly protectionist Common Agricultural Policy (CAP) eased these objections by creating a price wedge for agricultural goods between the internal market and the rest of the world, while promoting price fixing and heavily subsidising prices (Folmer, C. et al.1993, pp.4 and 6).

Commission to avoid divergent development trends, while the Paris Summit (1972) called for a Community-wide regional policy framework and asked the Commission to submit proposals for setting up a Regional Development Fund (CEC, 1973-a, p.9; Negreponi-Delivanis, M. 1986, p.150).

Three distinct factors are identified here as relevant in explaining the gradual modification of the belief in the market-led short to medium term easing of disparities and the increased importance placed on the role of the Community in promoting regional convergence.

The first is the impact of industrial restructuring processes on the member states leading to a substantial reduction in growth rates, increased unemployment that narrowed migration opportunities, and the concentration of structural problems (unemployment, outmoded infrastructure) in de-industrialising regions in the North of Europe<sup>7</sup> (CEC, 1992-d, p.14). Declining industrial production in these areas - creating pockets of underdevelopment with severe economic and social manifestations - together with the increasing internationalisation of economic activity questioned the adequacy of national regional policy frameworks and raised considerations about the impact of unbalanced development on European integration processes (CEC, 1984-b, pp.1.1 and 3.5)

The second factor involves the acute increase in energy prices and accelerating inflation that followed the 1973 oil crisis, a more pragmatic and contemporary issue that, however, significantly affected the fiscal capacity of the member states to undertake regional policies (CEC, 1984-b, p.1.1). In fact, because of the dissimilar regional responses to the oil crisis, its impact features prominently in the Community's documents as a point of reference for the acute widening of regional disparities within the EC (CEC, 1984-a, pp.v and vi; CEC, 1987-c, p.60).

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<sup>6</sup> The Werner Plan (1968) is the first coherent set of proposals for the advancement of an economic and monetary union (E. Andricopoulou, 1995, p.147).

<sup>7</sup> Particularly in areas that were overwhelmingly depended on declining industrial activities (coal, steel, shipbuilding). Between the 1960s and the 1990s, the European coal-fields have lost 57 per cent of their production and 82 per cent of their workers, while the iron, steel, shipbuilding, and textiles industries

These developments coincide with the first enlargement of the Community in 1973 (Denmark, Ireland and the UK). Despite the close economic ties of these countries with the six founding ones, the accession of two island states and the significant structural economic problems faced by particular regions in the new members (north-west of England, Western Ireland, north of Scotland), pointed to spatial disparities as an issue that could affect the 'cohesion' of the Community, initially a major source of strength amongst the member states (Blacksell, M. and Williams, A.M. 1994, p.89). In terms of policy responses, the turning point is marked by the report of the Commissioner for regional development G. Thomson in 1973.

### **6.2.1 The Thomson Report and the establishment of the ERDF**

“The Economic and Monetary Union, prerequisite for the European Union cannot be achieved without an adequate and effective regional policy propped by a Fund with substantial resources” (CEC, 1973-a, p.10).

The report commented on the balanced character of development envisaged by the Treaty of Rome and highlighted the divergent development trends of the European regions to emphasise the need for a European co-ordinating framework complementary to national policies for the confrontation of spatial disparities. As for the principles underlying the policy-orientation of the Fund, the report stated as a priority the advancement of a form of intra-Community “solidarity that hinges on the rules of Economic and Monetary Union”<sup>8</sup> (CEC, 1973-a, p.10).

The European Regional Development Fund (ERDF) was set up in 1975 - initially for a period of three years - with the aim of complementing the member states' regional policies and boosting the economy of the less favoured regions in the Community (CEC, 1978-a, p.6).

The ERDF was the third Fund of the Directorate General XVI for Regional Policy, together

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reduced their workforce by half due to a variety of reasons including exhaustion of resources and competition from substitutes (CEC, 1992-d, p.14).

<sup>8</sup> The proposed indicators for the determination of regional eligibility for Community support incorporated the rates of unemployment, GDP per capita below the EC average, percentage employed in agriculture above the EC average, high proportion (more than 20 per cent) of population employed in

with the ESF and the European Agricultural Guarantee and Guidance Fund (EAGGF – Guidance Section ) (CEC, 1984-a, p.2).

The prevailing areas of investment activity of the ERDF in that period were those of infrastructure (which between 1975 and 1987 absorbed 84.2 per cent of the allocated funds) and industry and services (CEC, 1989-b, p.98). The fact that the Commission had to select amongst the national proposals for ERDF assistance, combined with the large number of eligible areas across the Community, was tackled with the introduction of fixed quotas of total expenditure per country, based on the criteria proposed on the Thomson Report (see CEC, 1986-a, p.6; Williams, A.M. 1987, p.264). A subsequent reform (1979) excluded 5 per cent of the ERDF budget from the quota system increasing slightly the discretionary power of the Commission in the allocation of regional assistance (CEC, 1978-a, p.3).

With the accession of Greece (1981) there was a further modification in the allocation of funds. Even though Greece was granted 16 per cent of the regional funds in 1982, the eligibility for assistance of the new member challenged the limited resources of the ERDF<sup>9</sup> (CEC, 1986-a, p.6; CEC, 1991-b, annex p.9; Andrikopoulou, E. 1995, p.231). This, together with the recognition of the persistence of divergent trends in the Community's regions led to 1984 reform of the regional policy framework (CEC, 1984-b).

A further factor pointing in this direction was the expected accession to the Community of Portugal and Spain in 1986. While concerns were expressed by the Mediterranean member states about the impact of competition in agriculture on regional development because of the similarity of their products, other indicators were equally alarming. The per capita income of Portugal was half, and Spain's three quarters, of the Community average, while a 30 per cent increase in the EC unemployment figures and 37 per cent increase in agricultural employment was estimated as a consequence of enlargement (CEC, 1984-b, pp.6.3-1,2,3 and 7.3-11). The 1984 reform, therefore, aimed to both address

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declining industrial activities and emigration rates and constituted the basis of the future Community's regional policy intervention (Williams, A.M. 1987, p.263).

<sup>9</sup> See CEC, (1989), p.65; CEC, (1990), p.5.1.1



the existing problem of widening disparities in the Community in the mid 1980s, and to adjust the regional policy framework for the Iberian enlargement.

### **6.2.2 The 1984 Reform**

Article 3 of the reformed ERDF framework stated as a priority the contribution of the Fund “to the correction of the principal regional imbalances within the Community by participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions” (CEC, 1986-a, p.5).

The main propositions in the reform corresponded to three changes<sup>10</sup>. The first refers to the switching from financing individual projects to multi-annual ‘Community Programmes’ promoting Community objectives, and ‘National Programmes of Community Interest’ serving Community targets in tune with national policies (Articles 6-14, 25 and 26). Abolishing the 5 per cent limit reserved for Community initiatives, the two new programmes were expected to absorb 20 per cent of the ERDF funds, increasing significantly the discretionary powers of the Commission in the formulation of regional policy. Second, the promotion of indigenous development trajectories was endorsed as an objective, to be achieved by the upgraded role and responsibilities of the local level in the policy framework and by facilitating the growth of SMEs as a means to create new jobs (Articles 15-16 and 27). Third, the integrated approach (Article 34) to regional development was promoted in order “to exploit all the possible synergies, that of collaboration between the Community, national, regional, and local authorities and that of measures to be implemented and to ensure that they form an organic whole” (CEC, 1986-a, pp.20 and 23).

The first attempt to put into practice the reformed framework comes with the Integrated Development Operations (IDO) and the Integrated Mediterranean Programmes (IMP) in 1985. The IDO promoted co-ordinated action for confronting chronic problems of

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<sup>10</sup> Other areas of reform involved the system and mode of financing projects. In terms of the allocation of funds, for instance, because of the heterogeneity of the Community’s regional problems, a system of fixed ranges was introduced, consisting of lower and upper limits on resources that could be claimed by the member states (Article 4 - CEC, 1986-a p.6). A further provision aimed at compensating for limited

industrial decline in strictly defined geographical areas through a set of public-private measures and investments. Two pilot schemes were launched under this initiative, the Integrated Operations in Belfast and Naples. With the focus on the main urban centre of the lagging region the IDO introduced the first co-ordinated Community urban initiatives (CEC, 1986-a, p.80).

The IMP are the first comprehensive regional policy programmes implemented on a cross-national scale. They were established on a seven year basis (until 1992) covering the whole of Greece, the French Mediterranean regions and the south of Italy. Under the IMP, the Commission financed socio-economic studies of the areas to be targeted (Article 24), while the synergy of the Structural Funds and the EIB in a single programme was implemented for the first time. Also, the 'additionality' principle was introduced, stating that "grants from the Fund should augment rather than partially replace national financial efforts" (CEC, 1986-a, p.16).

The change of focus from sector-oriented policies, whether these concerned the coal and steel industries or protectionist measures for agriculture, to the formulation of comprehensive regional policies, marks characteristically the shift in the Commission's perspective towards spatial disparities. This shift started with the establishment of the ERDF in 1975 and culminated in this period with the 1984 revision of the ERDF. Despite the regional structure of these attempts, the emphasis placed on the promotion of an integrated policy approach resulted in the launch of the first Community urban initiatives, an indication of both the concentration of socio-economic problems in urban areas and the de-facto recognition of the urban dimension in EC spatial policies (CEC, 1986-a).

The 1975-84 spatial policy developments, constituting a response to the exacerbating pattern of disparities in the Community as well as to the accession of new member states with poor economic indicators and comparatively underdeveloped economic structures, were seen as complementary to relevant national policy endeavours. The political prioritisation of the

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budgetary resources was the concentration of funds in priority areas (CEC, 1986-a; CEC, 1991-b, annex. pp.25-6).

speeding up of economic integration manifested by the Single European Act (1986) and the consequent diminution of national protectionist economic measures, aggravated concerns about the impact of competition on the less developed areas of the community and on the 'cohesion' target of the EC.

### **6.3.1 Socio-economic 'cohesion' and the Single Market**

In the framework of an examination of the costs and benefits of economic integration a series of detailed research studies were commissioned by the EC. The studies, produced under the title 'The Cost of Non-Europe', estimated that the removal of internal market barriers by 1992 would trigger aggregate gains in employment of approximately 2 million jobs in the medium term and reduce inflationary strains by approximately 6 per cent in the Community (CEC, 1988-a, p.162; CEC, 1991-b, p.76). The Cecchini report, in this context, stressed that micro- and macro-economic estimates concur on medium term gains from the Single Market of around 4-7 per cent of the Community's GDP (Cecchini, P. 1988, p.103). As for the spatial distribution of the potential gains, the validity of arguments pointing to the adjustment difficulties and social costs of the less competitive regions was recognised by these studies, but it was suggested that the redistributive effects in the wake of free trade need not be excessive (CEC, 1988-a, p.21; Cecchini, P. 1988, p.105).

As discussed, this market-led convergence thesis underpins the integrationist ideology of the Community since the Treaty of Rome (Holland, S. 1980). It relates, schematically, the diminution of frontier controls with the potential attraction of investment to the less competitive regions with lower labour costs, and the migration of labour from the declining areas towards growth regions with job opportunities and higher wages (Shepley, S. and Wilmot, J. 1995, pp.51-2). Such mobilisation would promote the equalisation of prices and factors of production and generate a tendency for the balancing of incomes, the harmonisation of growth rates and the stabilisation of economic indicators (CEC, 1988-a, pp.17 and 20-2; see also Keeble, D.E. 1967, p.257). However, the interrelationship of economic integration with increased labour migration and capital flows was challenged by studies and surveys funded by

the Commission that focused on the labour and capital mobility aspects of the integration process.

Regarding labour mobility, the limits posed to cross-Community migration by the existence of linguistic and acute cultural differences among the European countries was emphasised. The argument was supported both by the generally weak cross-national migration rates at the time, despite the presence of keen regional disparities. Also, by the relatively high labour mobility between the Benelux countries, France and Germany, as well as Ireland and the UK, areas where the language barrier was less dominant (CEC, 1991-b, p.31).

Regarding investment decisions, the combination of favourable features influencing the location choices of firms was stressed, and in particular the importance of market proximity, infrastructure provisions and labour-force qualifications<sup>11</sup>. The limited comparative advantages of the less developed areas of the Community in primary factors influencing capital inflows<sup>12</sup> undermined the potential for attracting investment of these areas solely on the grounds of their comparatively lower labour-cost rates (CEC, 1994-e, pp.10-1 and 83). Such arguments were also supported by surveys that attempted to estimate the effects of the Single Market in particular economic sectors across the Community<sup>13</sup> (CEC, 1990-b, pp.3-7; CEC, 1991-b, p.77).

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<sup>11</sup> A survey on the factors affecting location decisions, for example, covering 87 firms and including 17 multinationals, pointed to the primary importance of market proximity, infrastructure suitability and the quality and qualifications of the labour force in their plans to relocate (CEC, 1994-e, p.83).

<sup>12</sup> The provision of motorways in Ireland and Greece, for instance, was less than 10 per cent of the Community average, while access to telecommunications in Portugal was less than half of the average in the Northern member states. In terms of the qualifications of the workforce the figure of adults who had not completed education beyond the primary level was three in every four persons in Portugal and one in every two in Greece - as opposed to one in five in the Community as a whole. Also, these two countries had only 20-25 per cent of the Community's average of persons employed in Research and Technology Development (RTD), (CEC, 1994-e, pp.10-1).

<sup>13</sup> A study by P. Buigues et al, for instance, focused on 40 industries likely to be directly affected by the integration process, representing just over half of the total manufacturing employment in the Community. The findings point to the greater adjustment costs and intense restructuring required by industrial sectors in the weaker parts of the Community, mainly due to the presence of strong national protectionist measures from competition detected in these areas (CEC, 1990-b, pp.3-7). Similar findings were presented by the study of Booz et al., which concentrated on seven major sectors in the Spanish, Portuguese, Greek, and Irish economies. Emphasising the structural rather than sectoral problems of these industries (poor quality of the labour force and management, underdeveloped infrastructure and RTD base, excessive public sector involvement) the study indicated the acute short

These considerations were summarised and presented in the semi-official Padoa-Schioppa report (Padoa-Schioppa, T. 1987). Uneven development at the Community level during the 1980s overshadowed the intra-national component of spatial disparities<sup>14</sup>, while under the Single Market the legal ability of the nation-states to boost competitiveness through import duties and export subsidy policies would be further minimised (see also CEC, 1987-c, pp.III and 11-3). The report highlighted that the “risks of an uneven distribution of the gains” could have an impact on the “political consensus” required to sustain the momentum of integration and called for the development of accompanying policy measures to speed adjustment and counter tendencies towards divergence (Padoa-Schioppa, T. 1987, pp.x and 17).

### **6.3.2 The Single European Act and the 1988 reform of the Structural Funds**

The Single European Act (1986), constituting an amendment of the Treaties establishing the European Communities and aiming to provide an updated framework for the completion of the internal market by 1992, prepared the way for the reform of the EC spatial policy framework<sup>15</sup> (Article 130 (a-d) - CEC, 1987-a, pp.551-2).

After political negotiations and under the influence of the preceding studies pointing to exacerbated disparities due to economic integration, the new guidelines for the Community’s Structural Funds were outlined in the 1987 Commission Communication ‘Making a Success of the Single Act’, with 1989 being the first year of their implementation (CEC, 1987). The reformed framework ran along three strongly interrelated and

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term adjustment difficulties expected to be faced by these sectors as a result of the integration process (CEC, 1991-b, p.77).

<sup>14</sup> The discrepancy between the highest and the lowest regional unemployment rates in 1986, for example, ranged between 6½ to 7 percentage points (in Belgium, the Netherlands and Greece) and 15 to 17 points (in Spain and Italy), while, comparing the ten weakest with the ten strongest regions in the Community the same year, the disparity in incomes is of 1:3 ratio (CEC, 1987-c, pp.16 and 19).

<sup>15</sup> “In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least favoured regions” (Article 130(a) - CEC, 1987-a, p.551). Furthermore, Article 130(c) specified and introduced in the Treaty an upgraded role for the ERDF in redressing the principal regional imbalances in the Community, whereas Articles 130(b) and (d), addressed the issue of co-ordination and efficiency of the three structural Funds (ERDF, ESF and the Guidance Section of the CAP) and invited a comprehensive amendment of their structures and operational rules (CEC, 1987-a, p.552).

complementary lines of action, namely: a) the concentration of the Funds' activities and resources on five Objectives with defined priorities and selection criteria; b) the promotion of a novel form of 'partnership' based on the principles of 'subsidiarity' and 'additionality'; and c) the programming and co-ordination of action through the simplification of procedures, monitoring and evaluation of policies (CEC, 1987-b, pp.3-6; CEC, 1989-a, pp.13-4; CEC, 1990-a, pp.2-4; CEC, 1991-b, p.59). Furthermore, the role of the Community in spatial policies is upgraded through the introduction of particular programmes (Community Initiatives) and programme-categories (Innovative Measures) where the policy-areas and objectives are defined by the Community. The content of the reform regarding the objectives of the policies, the selection criteria for assistance and the policy formulation and implementation processes introduced can be seen in detail in Appendix 2-A. In the following part of the chapter, the focus is on the particular principles and programmes that illustrate the upgraded role of the local level in the 1988 reform. Key amongst them are the 'partnership' and 'additionality' principles, and the launch of Innovative Measures with an explicit urban orientation.

### **6.3.2(a) The 'Partnership' and 'Additionality' principles of the Reform**

Following the demarcation of objectives (see Appendix 2-A), the notion of 'partnership' refers to the framework that regulates the relationship and responsibilities of the three primary parties in the area of European spatial policies, namely, the Community and the respective authorities at the national and local (regional and urban) level.

The relation between the Commission and the member states is founded on the principle of 'subsidiarity'. According to this concept, responsibility is assigned to the lowest tier of government at the national level, provided that the task cannot be more effectively undertaken by the level directly above. Subsidiarity, however, is not a legally binding power-sharing formula delegating responsibilities to the local level, but a principle promoting decentralisation (Council of Europe, 1994-a, pp.8 and 29). The role of the local level in the

organisation and implementation of EC spatial policies is determined primarily by the relative degree of decentralisation of national governmental structures (CEC, 1991, p.12).

In terms of concrete regulations, the relationship between the Commission and national and local authorities is regulated by the 'additionality' principle, stating the 'complementary' as opposed to 'substitutive' nature of Community's assistance to national spatial policies (Article 4 of the Arrangements for Structural Operations - CEC, 1989-a, p.63). 'Additionality', introduced in practice with the Integrated Mediterranean Programmes, becomes now a legal obligation in an attempt to define the actors' sphere of influence and secure the complementary nature of the (increased) European involvement at the national level<sup>16</sup> (CEC, 1989-a, p.77). The co-financing share-out between the Commission and the member states under the 'additionality' principle was set at 50 per cent of the budgetary cost of the programmes, extended to 75 per cent for Objective 1 areas (CEC, 1992-d, p.20).

### **6.3.2.(b) Innovative Measures and pilot projects**

The purpose of the Innovative Measures introduced in 1989-93 is defined according to the Funds' stated priorities regarding regional development for the ERDF, vocational training for the ESF<sup>17</sup> and the improvement of the structures of agricultural undertakings for the EAGGF<sup>18</sup>.

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<sup>16</sup> As Article 9 of the Community Support Frameworks states, "the Commission and the member states shall ensure that the increase in the appropriations of the funds ...has a genuine additional economic impact in the regions concerned and results in at least an equivalent increase in the total volume of official or similar (Community and national) structural aid in the member State concerned" (CEC, 1989-a, p.77). The Commission's actions, in this context, far from substituting national policies, aim more at contributing a European perspective to the national frameworks through close consultations and assistance (partnership) in the preparatory, financing (Article 5) and monitoring-assessment (Article 6) stages of the Operational Programmes (CEC, 1989-a, pp.63-4).

<sup>17</sup> Article 1 (paragraph 2) of the ESF Regulation defined the framework for the promotion of innovative measures by the Fund (CEC, 1989-a, pp.93-4). ESF intervention took the form of part-financed programmes either within or outside the CSFs with the 'Euroqualification' programme - approved in 1993 for a three year period - the most prominent example of a transnational operation in the field of vocational training (see CEC, 1993-a, p.53; CEC, 1995-c, p.104).

<sup>18</sup> Article 8 of the EAGGF Regulation encouraged the involvement of the Fund in pilot projects and preparatory or evaluation studies promoting a variety of initiatives relevant to the improvement of structures of agricultural undertakings, the development of rural areas and the assessment of the impact of structural measures in the regional development plans (CEC, 1989-a, p.99).

### Innovative Measures under the ERDF Regulation

Under Article 10 of the ERDF, four programme categories were launched in the period 1989-93, focusing on: a) the utilisation and cohesion of the Community's territory; b) the enhancement of 'Cross-border Co-operation'<sup>19</sup>; c) the development of regional and urban co-operation networks and, d) a programme with a solely urban objective under the title 'Urban Pilot Projects' (CEC, 1988-b, p.53).

#### Spatial Planning

A series of studies under Article 10 of the ERDF formed the 'Europe 2000' document, a comprehensive reference framework of spatial trends in Europe, aiming to assist the long-term decisions of the relevant public and private planning bodies in the member states and the entrepreneurial community (CEC, 1991-a, pp.3-4 and 197).

The document highlighted the necessity for experience-sharing and enhanced co-operation between European regional and local authorities, defining the role of the Community as complementary to national and local endeavours, one that facilitates the coherence of the various sectoral policies and provides a European perspective (CEC, 1991-a, p.197). Between 1989 and 1993 six reports were prepared and published under the title 'Regional Development Studies'. Among the topics examined were: 'The Regional Impact of the Channel Tunnel', 'New Location Factors for Mobile Investment in Europe', and - characteristic of the urban focus of Community policies in the field of spatial planning - 'Urbanisation and Function of Cities in the European Community' (CEC, 1991-a, p.197; CEC, 1992-e; CEC, 1993-a, p.51; CEC, 1993-f).

#### Interregional Co-operation

Three programmes were developed under this Article 10 target. First, fifteen networking pilot projects involving local and regional authorities were set up (1990). Following the monitoring and review of these networks, the RECITE programme was created

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<sup>19</sup> The 'Cross-border Co-operation' programme assisted projects in co-ordination with, but in policy areas not covered by, the INTERREG Community Initiative. Assistance was also granted to the Association of the European Border Regions for the creation and management of the LACE observatory for cross-border co-operation aiming to offer information and technical assistance to those involved in this area of Community activities. (CEC, 1991-c, p.71; CEC,1995-c, pp.100-1).



in 1991 aiming to assist co-operation between European localities in a range of policy fields relevant to the overall objective of economic and social cohesion. A formal 'call for proposals' for the establishment of further projects under the title 'RECITE, Regions and Cities for Europe' in late 1991 was followed by the creation of the 'RECITE Office' in 1992, an external agency created by DG XVI to monitor, evaluate and provide technical assistance to projects funded under Article 10 of the ERDF (CEC, 1995, pp.2-3).

Second, the ECOS programme was launched in 1991, complementing the already functioning OUVERTURE programme. OUVERTURE focuses primarily on co-operation between regional authorities and ECOS on co-operation between local authorities. The aim of these two programmes - which since 1992 combined operations forming the ECOS/OUVERTURE - was the establishment of links with the cities and regions of Central and Eastern European Countries. The themes promoted through ECOS/OUVERTURE include 'vocational training', assistance in generating 'business links', 'access to expertise', 'regional development plans' and the 'environment and energy'. Between 1989 and 1993, more than 850 local authorities participated in 137 co-operation networks in this field. Since 1993, ECOS/OUVERTURE has extended its operations to include co-operation with countries from the Commonwealth of Independent States (CEC, 1993-a, pp.51-2; CEC, 1995-c, p.102).

Third, a total of 318 urban and regional authority networking projects were launched under the title 'Exchange of Experience'. These small-budget programmes were run in co-operation with the Assembly of the European Regions (AER), the Council of European Municipalities and Regions (CEMR) and the International Union of Local Authorities (IULA). Special emphasis was placed on the involvement of Objective 1 localities in the programmes (CEC, 1991-c, p.71; CEC, 1995-c, p.102).

#### Urban Pilot Projects

Focusing solely on the urban level, a total of 33 Urban Pilot Projects were established under Article 10 for the 1989-93 period, covering four policy fields: the economic development of areas with social problems; the economic revitalisation of historic centres;

exploration of urban technological resources; and environmental measures linked to economic goals (CEC, 1993-a, p.52; CEC, 1993-e, p.2; CEC, 1995-c, p.102; CEC, 1996-c, p.i).

While the Integrated Development Operations (1985) had a clear urban objective, the Urban Pilot Projects were the first explicitly urban programmes at a European level, introduced under a framework (Innovative Measures) where the Community has discretionary powers to define policy areas and targets of operations. The urban dimension of 'Innovative Measures', however, extended to most of the projects launched under this section of the ERDF for the 1989-93 period. Both the 'Spatial Planning' and the 'Interregional Co-operation' programmes supported novel forms of policy-making by promoting networks of co-operation between local authorities across Europe.

The significance of the urban spatial and political level in the Community's policies was also manifest in the mainstream policy framework, despite the fact that the Treaties did not provide a mandate for European urban policy. First, Objective 2 of the Structural Funds had an implicit but direct urban focus, aiming to tackle industrial decline (see Appendix 2-A; CEC, 1989-a, pp.13-4; CEC, 1990-a, pp.2-4). Second, and more characteristically, the 'subsidiarity' principle, in the attempt to regulate the relationship between the Community and the member states and promote accountability and effectiveness in policy-making, defined the local level as the most appropriate in organising and implementing Community policies.

The role of the urban level in the Community's spatial policies was substantially upgraded in the second framework of structural operations (1994-99), a policy shift that responded to considerations relevant to the implementation of the Maastricht Treaty, as well as to broader priorities concerning the competitiveness of the European economy at the international level.

#### **6.4.1 The Maastricht Treaty and the target of 'cohesion'**

The aim of the Treaty on European Union (Maastricht Treaty), (1992), was to further economic integration and trade liberalisation amongst the member states. The most significant of the changes introduced in this direction, underlying the whole structure of the Treaty, was

the declaration of the “irreversible character of the Community’s movement to an Economic and Monetary Union (EMU), ...irrevocably by 1 January 1999”, following a gradual but clearly defined timetable for monetary integration (CEC, 1992-a, p.190). The constitutional foundations for the adoption of a single currency by 1999<sup>20</sup> were accompanied by requirements of sustained convergence of economic performance and close co-ordination of the member states’ economic policies (Article 103-3), controlled by the development of national multi-annual convergence programmes<sup>21</sup> monitored and assessed by the Commission and Council (Article 109(e) and (j) - CEC, 1992-a, pp.25 and 36 and 41).

In the attempt to appraise the fiscal and spatial impacts of monetary integration and guide the draftsmen of the Treaty accordingly, a 1990 study by the DG for Economic and Financial Affairs<sup>22</sup> drew attention to two major points regarding the economies of the lagging countries (CEC, 1990-c, pp.5 and 212).

The first refers to the elimination of hidden forms of taxation and, most importantly, to the abandonment of the mechanism for nominal exchange rate alterations (CEC, 1990-c, p.223). While the use of devaluation to restore the declining international competitiveness of an economy is criticised for leading to increased inflation and reducing long-term credibility, exchange rate flexibility as a shock absorbing, short-term stabilisation instrument can potentially offset the loss of activity in import-competing industries and boost exports by providing firms with an opportunity to modernise (see CEC, 1994-e, p.148; Holmes, P. 1992, p.56; Perrons, D. 1992, p.182). The utilisation of the nominal exchange rate instrument, however, most needed by the weaker member states in order to adjust to the adverse shocks of trade liberalisation, was to be gradually foreclosed in the process of monetary integration, increasing adjustment difficulties and making convergence a more elusive target.

Secondly, the report highlighted the fiscal consolidation and anti-inflation policies expected to be implemented by the weaker member states in order to meet the strict nominal

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<sup>20</sup> With the absence of such a commitment from Denmark and the UK.

<sup>21</sup> Concerning price stability, the government budgetary position, exchange rates and long term interest rates.

<sup>22</sup> With a preface by the then president of the European Commission J. Delors.

convergence criteria of the monetary union. Such policies, combined with the 'matching-grants' nature of the Community's structural assistance (additionality), could result in a constraint of significant proportions on the national and local budgets, inhibiting development-related public expenditure and postponing the real (as opposed to nominal) convergence targets of the Community (CEC, 1990-c, p.224).

As a response to these arguments, the Treaty set up a new instrument for structural assistance, the Cohesion Fund, aiming at providing "financial contribution to projects in the field of environment and trans-European networks in the area of transport infrastructure" (Article 130(d); CEC, 1992-a, pp.53-4). The eligibility criteria for support under the new Fund were defined in a Protocol for Economic and Social Cohesion attached to the Treaty. They included "member states with a per capita GNP of less than 90 per cent of the Community average", provided they are undertaking a programme "leading to the fulfilment of the conditions of economic convergence" under the EMU (CEC, 1992-a, p.203). The countries benefiting from the Cohesion Fund are Greece, Portugal, Spain and Ireland.

In addition to these developments the direction of Community policies adopted by the Treaty corresponded to further contemporary considerations about negative effects on the target of cohesion from the economic recession of the period.

#### Economic recession and the cohesion target

In the early 1990s a sharp economic downturn was detected in the Community, with a fall in the investment ratio by 5 per cent and a substantial decline in the level of GDP, with growth becoming negative (1993) for the first time in twenty years (CEC, 1993-d, pp.9 and 41). Furthermore, unemployment, steadily rising from cycle to cycle, reached a record high of 17 million people in the early 1990s (CEC, 1993-e, p.5). As a consequence, the persistence and widening of disparities is noted, at a time when further economic integration is attempted with the implementation of the final stages of the SEA and the launch of Monetary Union (CEC, 1992-b, p.21).

Under these circumstances, Article B of the Common Provisions chapter featured action towards ‘cohesion’ as a principal Community concern, characterising it as equally important in the search for balanced and sustainable economic and social progress as the creation of an area without internal frontiers, the establishment of economic and monetary union and the promotion of procedures towards a common currency (CEC, 1992-a, p.7).

The general trajectories outlined in this article become more specific in Article G(2) of the revised EC framework which extends Community targets from the pursuit of “a harmonious and balanced economic development”, as featured in the Treaty of Rome, to the achievement of “a high degree of convergence of economic performance, a high level of employment and social protection, the raising of standard of living and quality of life, and economic and social cohesion and solidarity among member states” (CEC, 1992-a, pp.11-2). ‘Cohesion’, therefore, enters the reformed EC regulations, with Article 3 defining twenty areas of action regarding the role of the EC in pursuing this goal (CEC, 1992-a, pp.11-2).

The growth of the European economy, a prerequisite for the movement towards the convergence target, is also determined by the competitiveness of the European economy at the international level. Indicators regarding the performance of the economy at this level, however, were equally alarming.

#### **6.4.2 International competition and European economic competitiveness**

As illustrated by shares in export markets in general, but also from RTD and innovation exports and development of new products, the competitive position of the European economy against those of the USA and Japan deteriorated sharply during the late 1980s and early 1990s<sup>23</sup> (CEC, 1993-d, p.9). This, together with declining barriers to trade through reductions in the rate of customs duties<sup>24</sup>, already agreed at that time in the Uruguay

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<sup>23</sup> The Community balance of manufactured goods, for example, decreased significantly between 1985 (+ ECU 116 billion) and 1990 (+ ECU 50.5 billion) while advanced technology goods represented a fifth (17 %) of Community exports as opposed to a third (31 %) of US and more than a quarter (27 %) of Japanese exports (CEC, 1992-b, p.24).

<sup>24</sup> Reaching an average of 30 per cent.

Round of the GATT multilateral trade negotiations, prioritised the issue of adaptability and competitiveness of the European economy in the Treaty (CEC, 1994-c, p.3).

As suggested in the Community's White Paper for 'Growth, Competitiveness and Employment', fostering a debate about the medium-term Community strategy for these three areas of interest, the creation of major infrastructure networks was a key step for the development of competitive economic structures (CEC, 1993-d, p.75).

The provisions in the Treaty for 'Trans-European Networks' (Article 129-b) had two targets. First, the development of information and telecommunication networks to accompany and facilitate changes in systems of production. Second, the creation of transport and energy infrastructures aiming to foster labour and capital mobility, prevent the concentration of growth in the comparatively advantaged regions and generate the full benefits from the setting up of an area without internal frontiers (CEC, 1992-a, p.51; CEC, 1994-d, pp.55-6).

Focusing directly on industrial competitiveness, Article 130 highlighted the significance of the "speeding up of the adjustment of industry to structural changes, ...by encouraging an environment favourable to initiative and co-operation and to the development particularly of small and medium-sized undertakings" (CEC, 1992-a, p.52).

More characteristically, though, the White Paper on 'Growth, Competitiveness and Employment' highlighted the importance of flexible and decentralised policies as a means to enhance European economic potential. This policy perspective centres on the role and responsibilities of the local political level, identified as the most appropriate in generating co-operation processes and endogenous, place-specific, development paths<sup>25</sup> (CEC, 1993-d, p.9).

The increased responsibilities of the local level in this framework illustrate the gradual adaptation of Community policies to the rapidly changing economic circumstances apparent from the 1980s. The upgraded role of the local level in the pursuit of national and European economic objectives is approached in Community documents through the analytical framework of "globalisation and the shift from industries to services [*that*] ...enhanced the

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<sup>25</sup> As indicated by the White paper "it is the local level at which all the ingredients of political action blend together more successfully" (CEC, 1993-d, p.9).

importance of space for economic development, [and] ...reinforced the potential of cities as autonomous creators of prosperity” (CEC, 1997-1, pp.6 and 8). Urban areas, in this context, are portrayed as “the main source of prosperity [as] ...they contribute disproportionately more to regional or national GDP compared to their population” (CEC, 1997-1, p.4). In terms of social disparities, the enhanced importance of cities in Community policies is approached on the basis of concentrated social problems in urban areas relevant to low educational attainment rates, high (above the European average) urban unemployment rates, and social exclusion phenomena (CEC, 1994-d, pp. 98-103; CEC, 1997-1, p.5).

The Community’s policy response was the promotion of decentralised policies and the incorporation of the ‘subsidiarity’ principle in the Maastricht Treaty (Council of Europe, 1994-a, pp.8 and 11). Article 3(b) of the Treaty establishing the European Community stated that “in areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore, by reason of the scale of effects of the proposed action, be better achieved by the Community” (CEC, 1992-a, p.15; CEC, 1993-c, p.2; Council of Europe, 1994, p.22).

The subsidiarity principle, however, as indicated by the examination of the 1989-93 operational framework, extends also to the sub-state level aiming to “prevent sub-state centralisation” (Council of Europe, 1994-a, p.29). It is this interpretation of the subsidiarity principle that is most relevant to the attempt to identify changing Community priorities in the field of spatial policies. The subsidiarity concept as adopted by the Maastricht Treaty recognised the enhanced role of the local level in the pursuit of the Community’s socio-economic objectives and - by promoting direct links between the local and Community levels - upgraded the role of local authorities in the Community’s spatial policy framework. This, in turn, is apparent in both the remaining provisions of the Treaty regarding spatial policies and, consequently, in the revised regulations covering the Structural Funds.

### **6.4.3 Reflections in the Treaty**

The amended 'Economic and Social Cohesion' chapter of the Treaty introduced three major changes regarding the orientation of the Structural Funds:

- a) The recognition of the possibility of action adopted by the Council (acting unanimously on a proposal from the Commission) in policy areas outside those defined by the Structural Funds (Article 130(b) - CEC, 1992-a, p.54). This article, apart from promoting flexibility in structural operations, constitutes an implicit reference to the introduction of Community policies at the urban level since it is urban policy that is not included in a mandate for structural intervention under the Treaties.
- b) The prospect of the grouping together of the Funds, even to the extent of redefining their tasks, organisation and priority objectives (Article 130 (d) - CEC, 1992-a, p.54).
- c) The requirement that the Commission should produce a 'Periodic Report' every three years on the progress made towards the cohesion target (Article 130-b).

Furthermore, in the attempt to facilitate interaction between the Community and the local level in EU spatial policies the Treaty introduced the 'Committee of the Regions'. Established in Article 198(a), the Committee of the Regions is a body with a primarily advisory status consisting of 189 representatives from the regional and local level of the member states (CEC, 1992-a, pp.81-2). The Treaty provided that the newly formed institution shall be consulted by the Council in the regulations covering trans-European networks (Article 129-d), and by the Commission in the regulations covering the 'cohesion' objective (Article 130(b) - CEC, 1992-a, pp.51 and 53).

The proposals of the Commission over the revised priorities of the Structural Funds were originally presented in the document 'From the Single Act to Maastricht and Beyond' and complemented by the subsequent communication from the Commission entitled 'Community Structural Policies, Assessment and Outlook' (CEC, 1992-b; CEC, 1992-c). Both of these documents, while confirming the basic principles of the 1988 reform, emphasised the necessity for qualitative operational improvements regarding the simplification of procedures, strengthening of partnerships and increasing flexibility (CEC,



1992-b, pp.19-24; CEC, 1992-c, pp.20-8). This policy shift was confirmed and underpinned in December 1992 by the European Council in Edinburgh that established the medium-term (1994-99) budgetary framework of the EU (CEC, 1995-c). As seen in table 6.1, there was a marked change of focus in the EU budget from sectoral policies for the tackling of disparities (as the declining share of agriculture suggests) towards structural policies. Moreover, following the ‘concentration’ principle, 74 per cent of the Structural Funds’ resources targeted Objective 1 regions (CEC, 1994-e, pp.125 and 128).

**Table 6.1:**

<b>EU resources 1993-99</b>		
	<b>1993 %</b>	<b>1999 %</b>
<b>Agriculture</b>	50.9	45.7
<b>Structural Actions</b>	30.8	35.7
>> <b>Cohesion Fund</b>	2.2	3.1
>> <b>Structural Funds</b>	28.6	32.6
<b>Internal Policies</b>	5.6	6.1
<b>External Action</b>	5.8	6.7
<b>Other</b>	6.9	5.9
<b>Total commitments</b>	100	100
<b>Community GNP (%)</b>	1.2	1.3

Source: (CEC, 1994-e, p.126).

The revised Regulations of the Structural Funds for the 1994-99 period were adopted by the Council in July 1993 (CEC, 1995-c, p.144). A review of the 1994-99 operational framework can be seen in Appendix 2-B. The following section considers the upgraded role of the local level in European spatial policies as defined by the 1993 reform. The key revisions of the Funds’ regulations concerning the local level correspond to the introduction of the URBAN programme in the area of Community Initiatives and to the enhanced urban orientation of the Innovative Measures programmes. Both of these developments, in turn, indicate an increased experimentation with the urban dimension of structural policies. The revised ‘partnership’ principle illustrates further the characteristics of this policy shift.

#### **6.4.4 The amendment of the Structural Funds' Regulations**

##### **6.4.4(a) The revised 'partnership' principle**

The amended framework regulating the responsibilities of the Community and national and local level authorities in structural policies re-affirmed the 'complementary' character of the Community's involvement at the national level. The rationale for the launch of decentralised policies, however, led to the extension of the 'partnership' principle also to include "competent authorities and bodies, *[as well as]*... economic and social partners, designated by the member State at national, regional, local or other level...in pursuit of a common goal" (Article 4 of Framework Regulation - CEC, 1993-b, p.48).

The incorporation in a single EU programme of the political authorities leading the project, as well as the relevant public and private sector interest groups, signifies the promotion of 'governance' structures as the basis of EU spatial policies. Yet - as this policy shift is regulated by the 'subsidiarity' principle - 'partnership' arrangements may occur either at the national or local level, depending on the degree of decentralisation of the national administrative systems. The prioritisation of 'governance' policies as the selected policy form for the advancement of the Funds' targets, however, was also applied explicitly at the urban level in the area of the Community Initiatives and Innovative Measures.

##### **6.4.4(b) Community Initiatives**

Whereas the targets of mainstream Structural policies are based on comprehensive policy plans proposed by the member states (Community Support Frameworks - CSFs), the 1988 reform<sup>26</sup> stated that "the Community may on its own initiative, ...decide to propose to the member states that they submit applications for assistance in respect of measures of significant interest to the Community" (CEC, 1989-a, p.78; see also Appendix 2-A). It is the transnational, cross-border and inter-regional operational dimension that distinguishes Community Initiatives from nationally determined CSFs. Their decentralised perspective and structure permits greater innovation and experimentation with novel approaches and policy areas which, if judged successful by the Community, may subsequently become part of the

mainstream structural policy framework (CEC, 1993-e, p.4; CEC, 1998-d, p.4). For that reason, the examination of the policy priorities of Community Initiatives allows an insight into the most recent debate about the scope of Community action towards cohesion.

The initial proposals for Community Initiatives were presented by the Commission in the form of a Green Paper (June 1993), encouraging a Community-wide debate over the revision of the respective framework. The Commission proposed the regrouping of the Initiatives around five major priorities: cross-border and inter-regional co-operation and networks, rural development, outermost regions, employment, and the management of industrial change (CEC, 1993-e, p.14).

After the consultation period three more policy areas were added, relating to the support of the peace process in Northern Ireland, the restructuring of the fishing industry and the redevelopment of crisis-hit urban areas (CEC, 1994-a, p.8). As presented in Box 6.1, seventeen Community Initiatives operated between 1994-99, financed by 9 per cent of the resources of the Structural Funds<sup>27</sup> (CEC, 1993-b, pp.49 and 56).

The introduction of the URBAN initiative comes in the form of a recognition by the Commission of “the need to give more attention at Community level to the problems of cities ...although the Treaties do not give any mandate to develop an urban policy as such” (CEC, 1994-f, p.1). As the Community reports on URBAN stressed, most of the Community’s spatial policies already had an urban dimension (CEC, 1994-f, p1). In all, 22 out of 58 cities in the EU with a population over 200,000 were either directly - through the Urban Pilot Projects and the Co-operation Networks of Article 10 of the ERDF - or indirectly targeted through the CSFs (CEC, 1994-f, p.2 and 3). At the same time, the Regional Development Plans of Objective 1 and especially Objective 2 areas were presenting an increasingly urban focus (CEC, 1997-1, p.9). In this context, the European Parliament proposed during the consultation process a specific programme of integrated urban development aiming to stimulate local economic development (CEC, 1994-f, p.2 and 3).

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<sup>26</sup> Article 11 of the Co-ordinating regulation - CEC, 1989-a, p.78.

<sup>27</sup> Article 5(5) and 12(5) of Framework Regulation - CEC, 1993-b).

**Box 6.1: Community Initiatives 1994-99**

- Cross-border co-operation and networks  
*INTERREG / REGEN*
- Rural development  
*LEADER*
- Assistance to outermost regions  
*REGIS*
- Promotion of a Community dimension to vocational training and employment  
*NOW / HORIZON / YOUTHSTART / INTEGRA*
- Diversification of activity in industrial areas heavily dependent on sectors in crisis  
*ADAPT / RECHAR / RESIDER / KONVER / RETEX / SMEs*
- Support for peace in Northern Ireland  
*PEACE*
- Restructuring of the fishing industry  
*PESCA*
- Crisis-hit urban areas  
*URBAN*

Sources: (CEC, 1994-a, p.8; CEC, 1993-e, annex. CEC, 1999-k, p.18)

The introduction of the URBAN Initiative was justified on the grounds of improved co-ordination of the structural instruments which, in accordance with the subsidiarity principle, would:

- a) continue and strengthen support for cities, especially those under Objectives 1 and 2,
- b) promote innovative policies and local level 'exchange of experience' networks and,
- c) extend the inclusion of the urban dimension in the formulation of various Community policies as a means to achieve more spatially focused economic development objectives (CEC, 1994-f, p.1).

The key novel aspect of URBAN was the emphasis placed on the participation of local level interest groups in all the phases of the programme (CEC, 1998-d, p.2). With the launch of the URBAN Initiative the Community attempted to implement the enhanced 'partnership' principle of the 1993 reform of the Funds at the local level. "The inclusion of local authorities in partnership mechanisms [*with*] ...economic and social bodies", was viewed as "essential" for tackling urban deprivation and promoting economic competitiveness (CEC, 1998-c, p.6). A total of 118 programmes supporting schemes for economic and social revitalisation, the

renovation of infrastructures and environmental improvements were developed under URBAN between 1994-99 (CEC, 1994-a, p.31; CEC, 1995-b, p.38; CEC, 1998-d, p.4). Further than the Community Initiatives, urban level partnership arrangements were the main policy characteristic of most of the programmes promoted under the Innovative Measures of the Structural Funds.

#### **6.4.4(c) Innovative Measures under the Structural Funds**

In a manner similar to the way Community Initiatives function as the basis of future mainstream structural policies, Innovative Measures are indicators of the future policy orientation of Community Initiatives. Both the INTERREG Initiative which developed two years after the initial experimental phase of cross-border co-operation, and the URBAN Initiative following the Urban Pilot Projects of the 1989-93 period are examples of this (CEC, 1995-b, p.7; CEC, 1994-b, p.4). The next part of the chapter explores the policy changes and programmes launched under Innovative Measures in the 1994-99 period<sup>28</sup>.

#### **Innovative Measures under the ERDF Regulations**

The revised regulations of Article 10 of the ERDF did not substantially alter the 1988 policy framework. An expenditure ceiling was introduced, however, at 1.5 per cent of the Fund's annual budget (CEC, 1993-b, p.78; CEC, 1996-a, p.174).

Organised in four programme titles, the main themes put forward by the Commission for the 1994-99 period were 'cross-border co-operation' and 'transnational planning measures', while emphasis in all programmes was placed on the transfer of successful experiments in the field of employment (CEC, 1995-a, p.95; CEC, 1993-d, pp.117-36).

#### **Innovative Regional Development Measures**

Four areas of action were promoted in this novel programme of Article 10 for the 1994-99 period, with a total budget of 90 million ECUs. First, the 'Promotion of Technological Innovation' through two sub-programmes, the Regional Innovation Strategies

(RIS) and the Regional Technology Transfer (RTT)<sup>29</sup> (CEC, 1996-a, p.174-5; CEC, 1997, pp.6-7).

Second, the 'Culture and Economic Development' programmes. Article 128 of the Maastricht Treaty stated the intention of the Community to encourage "co-operation between the member states [*for the*] ...improvement and dissemination of the culture and history of the European peoples" (CEC, 1992-a, p.50). Further than this, the Commission's intention to support 32 'Cultural and Heritage' thematic networks between European localities was in line with both the employment creation target of the White Paper on "Growth, Competitiveness and Employment" and the positive role attributed to cultural activities in local socio-economic regeneration (CEC, 1995-d, pp.5-16, part-b). Emphasis in the 'call for proposals' was placed on the development of public-private partnerships in the organisation and implementation phases of the projects<sup>30</sup> (CEC, 1995-d, p.4, part-b).

Third, the 'New Sources of Employment' measure. Following on from the White Paper on "Growth, Competitiveness and Employment", the European Councils held in Essen (1994) and Cannes (1995) stressed the contribution of local-level initiatives in increasing employment and invited the Commission to assess the potential for initiatives in this area (CEC, 1995-d, p.6, part-a). The European Commission decided to support 41 pilot projects focusing on three priority areas: personal services<sup>31</sup>, improvements to the living environment<sup>32</sup>, and employment related to environmental protection<sup>33</sup> (CEC, 1997, pp.2-3). The partnership

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<sup>28</sup> An overview of the Innovative Measures under the ESF, EAGGF and FIFG Regulations can be seen in Appendix 2-B.

<sup>29</sup> The RIS aim to identify means of increasing the innovative capacity of regional enterprises through the promotion of co-operation between the public and private sectors. The RTT target is to facilitate interregional exchange and co-operation in the field of technology. It involves the development of North/South local level networks in order to provide the R&D sector in the lagging regions better access to high-performance European networks. Following the 1995 call for proposals, the Commission selected 19 RIS pilot projects and 7 RTT pilot projects incorporating more than 30 European localities (CEC, 1996-a, pp.174-5; CEC, 1997, pp.6-7).

<sup>30</sup> The document indicated also that 25 per cent of the funds must come from the private sector (CEC, 1995-d, p.4, part-b).

<sup>31</sup> Care of children and elderly people, assistance for young people in difficulty and with integration into working life, local cultural and audio-visual services (CEC, 1995-d, p.8).

<sup>32</sup> Rehabilitation and modernisation of housing, public transport and local shops, particularly in difficult areas; revitalisation of urban public areas; new types of tourism (CEC, 1995-d, p.8).

<sup>33</sup> Recycling, waste management, protection and maintenance of nature reserves, pollution prevention (CEC, 1995-d, p.8).

criterion for the selection of projects was particularly emphasised in the 1995 'call for proposals', especially regarding co-operation between local authorities and the local private and voluntary sector (CEC, 1995-d, pp.2-15, part-a).

Four, the 'Information Society' measure. The Interregional Information Society Initiative (IRISI) was launched in 1995 aiming to assist the development of information and communication technologies in six regions, namely, Piedmont (I), Valencia (E), Nord-Pas-de-Calais (F), North West (UK), Central Macedonia (GR) and Saxony (D)<sup>34</sup> (CEC, 1996-a, pp.174-5).

#### Actions in Spatial Planning

The Commission continued the research programme in this area and published the 'Europe 2000+' document that re-affirmed the importance of extending the scope of co-operation between authorities responsible for physical planning on the rural, frontier, and urban areas of the Community (CEC, 1991-a; CEC, 1994-d, p.11; CEC, 1995-a, p.96; CEC, 1995-b, pp.29-33).

In order to promote further this objective 15 pilot projects were launched under the TERRA programme, establishing co-operation networks among European localities on the following themes: i) rural areas to which access is difficult; ii) areas subject to erosion and desertification; iii) mountainous coastal and island areas; and, iv) places where natural or cultural assets are endangered. Furthermore, the Commission launched four pilot schemes that shared the objectives of the INTERREG II Initiative and targeted broad transnational regions of Europe (see CEC, 1997, p.10; CEC, 1998, p.1).

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<sup>34</sup> The broad aim of the subsequent Regional Information Society RISI 1 and RISI 2 projects, is to enable local level operators to make better use of existing resources to develop the 'information society' (CEC, 1997, p.8). More specifically, the 22 RISI 1 projects seek to develop partnership relations (through a local action plan) between the main operators in a given area in order to assist the utilisation of the benefits of the 'information society' and its contribution to economic development. The 9 RISI 2 projects promote the same aims through the development of interregional co-operation networks with the emphasis on the adaptation and utilisation of 'tried and tested' technologies in the less favoured localities rather than the development of new ones (CEC, 1997, pp.8-9).

### Inter-regional co-operation and regional economic innovation

The regulations were characterised by the continuation of the ECOS/OUVERTURE<sup>35</sup> and RECITE programmes as well as by the supersession of the 'Exchange of Experience' with the PACTE projects (CEC, 1995-e, pp.2 and 4; CEC, 1996-b, p.3; CEC, 1998-a, p.2).

The 'PACTE-Exchange of Experience' programme followed on from the 'Exchange of Experience Programme' launched in 1989. The European Commission assigned the co-ordination of PACTE to two organisations representing local and regional authorities in Europe: the Assembly of European Regions (AER) and the Council of European Municipalities and Regions (CEMR). The PACTE projects consisted of regional and local authority partners from at least three member states, of which at least one belonged to an Objective 1 area. Co-operation was advanced through the implementation of joint pilot projects between local authorities as well as through exchanges of staff and experts, joint studies and publications, and the organisation of conferences and exhibitions<sup>36</sup> (CEC, 1997-a, introduction). The average budget of a project was 100,000-150,000 ECUs while the Community co-financed 50-60 per cent of the costs (75 per cent for Objective 1 regions and cities). The maximum duration of the projects was 18 months (CEC, 1997-b, p.1-3). The last PACTE projects selected were for the 1996-97 period (CEC, 1996-d, introduction).

The 15 RECITE projects that were launched in 1991 were complemented by a formal call for proposals in 1992. The 21 projects selected, together with the 15 that were already functioning, formed the 'RECITE: Regions and Cities for Europe' programme. The RECITE networks had an ERDF budget of 34 million ECUs. A total of 405 local and regional

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<sup>35</sup> Between 1991-97 about 400 projects were supported under ECOS/OUVERTURE receiving a total EU contribution of 70 million ECU, divided among 1500 local authorities. Projects involved at least two territorial authorities of two member states and their equivalent from one country from Central and Eastern Europe. Since 1995 the programme extended its activities into the Baltic and the Mediterranean, its thematic focus to include 'services' and 'economic development and tourism' and is now co-operating with other EU programmes such as TACIS and PHARE (CEC, 1995-e, pp.2-4; CEC, 1996-b, p.3; CEC, 1998-a, p.2). The call for proposals for a new phase of the programme, ECOS/OUVERTURE II, was published by the Commission on April 1997 (CEC, 1997-d).

<sup>36</sup> The themes promoted through the projects included: public administration; urban planning and land development; economic development; employment and SMEs support; transport; technology and research; environment, natural and urban habitats; energy and natural resources; rural and periphery



authorities, development agencies and chambers of commerce were involved in the RECITE projects for the 1991-97 period while the themes of co-operation were consistent with the Community's objectives of economic and social cohesion focusing on technology transfer, assistance to SMEs, public administration, information technology, social exclusion and vocational training.

Following the 'call for proposals' for a new phase of the programme, the Commission selected 56 networks in 1998 that will operate under the title RECITE II. The combined budget of the projects<sup>37</sup> is 110 million ECUs and the themes involve: SMEs development and the advancement of local economic potential (38 projects), environmental protection measures (13 projects), and the promotion of studies and pilot schemes regarding equal opportunities at the workplace (5 projects), (CEC, 1998-b).

Furthermore and "in view of making an optimal use of the resources available", the 'European Urban Observatory' was set up to develop a data base and a decision-making support system that provides information for town planning and urban socio-economic indicators, accompanied by a new survey system (the Urban Barometer) that measures the quality of life in European cities (CEC, 1995-b, p.39).

#### Urban Pilot Projects

The Urban Pilot Projects aim through studies, seminars and demonstrative activities to offer a "practical demonstration of the need for an integrated approach to urban problems" (CEC, 1997, p.11). The policies promoted involved individual city projects<sup>38</sup> followed by inter-city collaborative initiatives (seminars, studies, conferences) aiming to address problems common to cities in similar circumstances and to disseminate the positive experiences gained from the programme. Particular emphasis was placed on the development of public/private

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development; culture and economic development; health and social policy; education and training (CEC, 1997-a, introduction).

<sup>37</sup> Covered from the ERDF (CEC, 1998-b).

<sup>38</sup> The themes include: integrated approaches to urban development on a local basis; solutions to the obsolescence of urban facilities; environmental improvements; socio-economic integration and equal opportunities; urban use of information technology; development of the cultural and geographical assets of medium-sized towns; responses to the lack of town planning in suburban areas; integrated solution to

partnerships at the local level in an attempt to strengthen endogenous development paths and encourage self-financing initiatives (CEC, 1995-b, pp.36 and 38). For the 1997-99 period, out of 503 applications – an indication of the interest of European cities in EU urban programmes - 26 Urban Pilot Projects were selected with a total budget of 80 million ECUS (CEC, 1995-b, p.38; CEC, 1997, p.11; CEC, 1997-c, p.79).

### **Conclusion**

The approach through time of the Community's spatial policies aiming to tackle disparities showed the gradual adaptation from a sector-oriented policy perspective - in the initial stages of the European Communities - to the development of a regional policy focus since the mid-1970s. The increased political and financial significance attached to the 'cohesion' target during the speeding up of the movement towards economic and monetary integration, together with the growing recognition of the relevance of urban space to key socio-economic indicators<sup>39</sup>, triggered a debate and a subsequent shift in the Community's spatial policies towards the local level (CEC, 1994-d, pp.98-9; CEC, 1997-1, pp.4-5). This, as the relevant Community documents stress, aimed at facilitating a spatially focused policy approach that would maximise the impact of intervention and achieve a better balance between objectives relating to cohesion and economic competitiveness (CEC, 1994-f; CEC, 1994-d, pp.95-110; CEC, 1995, p.35).

The trend towards local level policies became apparent in the post-Maastricht period with the launch of the URBAN initiative and the urban focus of most of the Innovative Measures of the Structural Funds. More importantly, though, the introduction of the 'subsidiarity' principle in the Maastricht Treaty, as well as EU constitutional changes facilitating action at the urban level highlighted the increasing preoccupation with urban issues, making possible the launch of explicit urban policies in the 'mainstream' structural programmes (Article 130-b, - CEC, 1992-a, p.54).

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accessibility problems; the conservation of buildings in disadvantaged areas; the alleviation of institutional constraints (CEC, 1997, p.11).

<sup>39</sup> Economic growth, employment, social exclusion.

There are four main characteristics running through all the Community's urban programmes for the 1994-99 period. These characteristics are at the very centre of the increased urban focus of the Structural Funds for the 2000-6 programming period, a revision in the Regulations examined in the last chapter of the thesis as part of the discussion of the future direction of EU urban policy (see CEC, 1997-1; CEC, 1998-c; CEC, 1999-d).

- a) First, the 'integrated' aspect of the EU urban programmes. EU urban policies both depend upon and aim to foster 'partnership' arrangements that incorporate local authorities and local voluntary and private sector groups in all the stages of a project.
- b) Second, the targets of enhanced economic competitiveness and employment creation. While there is a plurality of thematic foci (ranging from SMEs development and technological innovation to cultural activities), these two objectives are at the very centre of all EU urban programmes.
- c) Third, the promotion of thematic urban networks amongst European cities in the attempt to promote the dissemination of information about successful policy responses to common urban problems, and to achieve economies of scale in policy implementation.
- d) Fourth, that the *de facto* intervention of the Community into the urban level - since the Treaties do not mandate the development of urban policy as such - takes the form of an adaptive and "complementary role" in addition to cities' own policies (CEC, 1994-d, pp.102-3; CEC, 1995, pp.16-7; CEC, 1997-1, p.14).

These key common traits of the EU urban initiatives shed light on both the broader targets and policy forms adopted in EU urban intervention. Concerning the targets they aim to trigger urban restructuring and endogenous development processes through the facilitation of local governance arrangements, assigning the central role in this endeavour to the local state. The policy forms 'selected' for the advancement of these objectives are based on the concepts of networking and subsidiarity. Networking indicates that the EU urban initiatives apply to all European cities willing to participate in a co-operation project. Subsidiarity, in turn, suggests the variety of EU-local level relationships. EU involvement in urban Europe is defined by

local political priorities and the distinct ability of the local states to bid for participation and run the EU projects.

In that respect, there are only two provisions in the current framework that address European urban differences and the dissimilar capacity of European cities to approach and utilise the EU urban programmes. First, the lower co-financing requirements provided for urban areas of Objective 1 status, applicable primarily to cities from Spain, Greece, Portugal and Ireland (CEC, 1992-d, p.20). Second, the requirement that at least one of the three partners in a networking project must be a city from an Objective 1 area (see CEC, 1995-b, pp.7-8 and 44).

However, as discussed in chapters 3 and 4, the financial capacity of the local state is not the only factor behind the diversity of urban Europe. Other factors and processes were highlighted as equally important in determining the ability of the local authorities to generate competitive oriented urban governance and facilitate endogenous development. These include the constitutional and political powers of the local state, the local administrative and regulatory capacity and the mode of involvement of interest groups in the local decision-making structures (Budd, L. 1998, p.669; Begg, I. Lansbury, M. and Mayes, D.G. 1995, p.192; Cheshire, P.C. and Gordon, I.R. 1995, pp.115-6). The relatively lagging and structurally different characteristics of Southern European urban governance in the preceding areas was identified as a central factor in the north-south divergence of urban economic prospects in Europe.

The EU, in the attempt to promote economic competitiveness and cohesion, is launching urban governance policies. These aim primarily at facilitating socio-economic development in the less advanced European cities, which includes the majority of urban areas in Southern Europe. Yet the effectiveness of the 'complementary' aspect of EU urban intervention relies on those characteristics of the local level (financial capacity, political-administrative autonomy and diffused governance structures) identified as different or underdeveloped in Southern Europe.

The implications of this approach for the effectiveness of the EU urban policy shift is examined in the two case-study chapters. The aim is to explore governance arrangements at the local level and in this context, to elucidate the comparative capacity of cities from Spain, Greece and Portugal to employ the EU urban projects in the absence of provisions in the structures of these programmes for the specific characteristics of the Southern urban governance profile. The final aim is to identify the particular areas that highlight the different comparative advantages of European cities with respect to EU urban programmes in order to draw out the problems and possibilities of the Community's urban interventions.

## **Chapter Seven: The RECITE networks**

### **Introduction**

The case-study chapters explore the governance responses of particular cities - examples of the north-south divide of urban Europe - in EU urban programmes that promote the targets of the confrontation of spatial disparities and socio-economic cohesion. The aim is to examine the extent to which EU urban programmes address north-south differences in urban governance in their structures, and to analyse the impact of this diversity on the effectiveness with which EU urban initiatives promote the 'cohesion' targets.

The responsibility for the promotion of 'cohesion' policies at the regional and urban level within the Community belongs to the European Regional Development Fund<sup>1</sup>. In this category, two areas of ERDF action focus on urban issues while involving simultaneously the direct participation of local authorities. The Innovative Measures under Article 10 of the ERDF, the concern of this chapter, and the URBAN Community Initiative which will be examined in chapter eight.

The primary distinction between the two ERDF programme-categories is their operational framework. URBAN develops individual city projects (with limited networking arrangements), while the Innovative Measures promote - under different titles - both single urban projects and thematic networks of co-operation between European cities (CEC, 1993-b, pp.27 and 78). Considering that the URBAN Initiative will be examined in chapter eight, the presence of 'networking' arrangements in its operational organisation is central to the identification of the appropriate urban programme from the 'Innovative Measures'. The involvement of cities in EU networks unobstructed by national authorities will provide a framework for a cross-national comparative analysis of governance responses to a common EU project.

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<sup>1</sup>Article 1 of ERDF Regulations - CEC, (1993-b), p.75.

### Selecting the appropriate Article 10 programme for closer examination

The 1994-1999 period of Innovative Measures involved four programmes: a) the 'Urban Pilot Projects'; b) 'Physical Planning at European Level'<sup>2</sup>; c) the 'Innovative Regional Development Measures'; and, d) the 'Interregional Co-operation Measures' (CEC, 1996-a, p.174).

In the thesis we will focus on d), the Interregional Co-operation Measures. The rationale for choosing d) as opposed to a) - c) is illustrated by the following examination of the above programmes with respect to their methodological suitability to this inquiry.

#### The Urban Pilot Projects

The Urban Pilot Projects promote direct relations between the Commission and cities. However, interaction amongst the cities involved in the programme is minimal, organised through summary reports, information bulletins and seminars, and does not extend to the creation of autonomous local level networks (CEC, 1995-b, p.38). What can be examined in this area, therefore, is the empowering impact, or limitations, placed by the national administrative framework<sup>3</sup> on urban governance and local chances to utilise the programmes. This will be approached in more detail in chapter eight, where the URBAN Community Initiative is examined. URBAN evolved from the first phase of the Urban Pilot Projects (1989-93). It promotes similar targets, has higher financial/administrative demands and requires the formal presence of the national level as a negotiator between the Commission and the cities (see CEC, 1995-b, p.7; CEC, 1996-a, p.158).

#### The Innovative Regional Development Measures

The concept of inter-urban networking is present in three out of four programmes under the 'Innovative Regional Development Measures' title. However, instead of the urban level which is of interest here, these networks feature the participation of the regional level (Regional Innovation Strategies, Regional Information Society Initiative RISI-1 and 2) or, in

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<sup>2</sup> With 'Europe 2000+' as the guiding document (CEC, 1994-d).

<sup>3</sup> Regarding issues of fiscal, political and technical dependence of the local from the national level.

some cases (Regional Technology Transfer-ADAGIO project), the national level<sup>4</sup> (CEC 1997, pp.6-9; CEC 1997-g).

### Physical Planning at the European Level

The programmes under the 'Physical Planning at the European Level' title do advance inter-urban networks. As the 15 projects of this programme were selected in 1997, though, it was not feasible for this research - undertaken in the 1997-1998 period - to inquire into their co-operation experience (CEC, 1997, p.10). Moreover, the main networking programme in this category (TERRA), focuses on territorial development<sup>5</sup>. However, as discussed in the second chapter, the thesis examines supply-side aspects of inter-urban competition: the local economic, social, and political structures that condition entrepreneurial urban governance responses (Cheshire, P.C. and Gordon, I.R. 1995-a). At the EU level, the relevance of the north-south divide of urban Europe on EU urban programmes that promote socio-economic targets is explored<sup>6</sup>. This is the operational area of the 'Interregional Co-operation Measures' under Article 10 of the ERDF (CEC, 1996-b, p.5).

### The structure of the chapter

The examination begins with an review of the objectives, mode of action and the thematic and sectoral focus of 'Interregional Co-operation Measures'. The aim is to gain an insight into this category of ERDF policies and to display the rationale behind the selection of RECITE as the case-study programme to shed light on the diversity of urban governance in Europe.

The second part of the chapter focuses on the targets and administration of the RECITE networks. This will provide a framework for a comparative analysis of the

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<sup>4</sup>The only programme of Innovative Regional Development Measures where the urban level is prominent (Culture and Economic Development), does not promote networks but direct relations between the EU and cities. Moreover, the comparative examination of urban capacity to meet the financial requirements of the EU programmes is better explored in the Interregional Co-operation Measures where the average ERDF contribution per programme was 1,5 million ECUs, as opposed to ECUs 300,000-500,000 in Culture and Economic Development (CEC, 1995, p.6; CEC, 1997, pp.4-5).

<sup>5</sup> Trans-European infrastructure networks, the environment (See CEC, 1995-a, p.96).

<sup>6</sup> Referring primarily to economic regeneration measures, assistance to SMEs, vocational training and new sources for jobs, as well as Research and Technology Development.



objectives of RECITE and the impact of the diversity of urban Europe on the effectiveness with which these programmes advance the ‘cohesion’ targets.

The third part of the chapter explores the two RECITE projects selected for closer study, namely the EUROSUNET and SCIENTIFIC CENTRES networks. It begins with an analysis of the research methodology, focusing on the rationale behind the formation of the interview schedules and the targeting of the interviewees. The case-study networks are approached in two stages:

The first involves an overview of their objectives, structures and courses of activities. This section does not go into great detail. A fuller presentation of the projects developed under EUROSUNET and SCIENTIFIC CENTRES is provided in appendices 3 and 4.

Second, an analysis of the individual urban involvement in the networks is attempted. This is based on urban governance characteristics, factors and processes identified as relevant to the local ability to engage in and utilise the network.

The concluding section of the chapter discusses the findings in the context of the north-south divergence of urban governance in Europe, approached as an explanatory set of factors that illustrates the structural limitations on Southern localities’ ability to utilise the EU urban initiatives.

### **7.1 The Interregional Co-operation Measures of Article 10 of the ERDF**

There are four reasons for approaching Article 10 of the ERDF Interregional Co-operation Measures and, in this category, focusing on the RECITE networking programmes:

- a) The ‘spatial’ and, in particular, the ‘urban’ focus of action of the three programmes (PACTE, ECOS/OUVERTURE and RECITE) under this title (CEC, 1993-a, p.50).
- b) Projects in this ERDF category bypass the national administrative level in their formulation and implementation stages (CEC, 1993-b, p.78). The primary dependence of networking policies on the active participation of the local level renders these programmes a key area for exploring the diversity of European urban governance.

c) Similar to the way that Community Initiatives function as test cases for future mainstream structural policies, Article 10 of the ERDF policies is an indication of the future policy-orientation of the Community Initiatives, which underlines the importance of the programmes (CEC, 1995-b, p.7; De Rynk, S. 06/03/1997 - interview).

d) Concerns were expressed at Community level, especially through the European Parliament, about the multiplicity of small-budget networking projects leading to overlapping targets and reduced clarity as to the concrete results achieved. The current policy trajectory, therefore, is leading towards the concentration of funds on a smaller number of Article 10 projects in order to improve results as well as monitoring and accountability (CEC, 1995-b, pp.17 and 21; Christofidou, T. 06/03/1997 - interview).

While the first two points relate to all the programmes that run under the title of Interregional Co-operation Measures, the last two are primarily relevant to the RECITE networks. RECITE has served as a testing ground for the launch of novel spatial policies at the EU level, most notably the URBAN Community Initiative<sup>7</sup>. Furthermore, regarding the EU policy trend towards the concentration of funds on a smaller number of programmes, the supersession of PACTE by RECITE in the post-1999 period points to the current and future importance of RECITE as a key Article 10 networking programme<sup>8</sup> (CEC, 1996-d).

RECITE, with an average ERDF budget contribution of 1,6 million ECUs per project<sup>9</sup>, is the most financially demanding programme of the Interregional Co-operation Measures and - unlike the ECOS/OUVERTURE programme - it focuses on the EU urban and urban-regional level, the area that this thesis explores<sup>10</sup> (CEC, 1995, p.3).

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<sup>7</sup> It is the 'integrated' approach that has underpinned the QUARTIERS EN CRISE-RECITE project, for instance, that has been the basis for submissions for the URBAN Community Initiative. Equally, the work of EURISLES-RECITE is relevant to the REGIS Community Initiative (CEC, 1995, p.18).

<sup>8</sup> As the relevant EU documents note, "the existence of two different programmes (PACTE and RECITE) pursuing the same aims with the same type of actions and the same partners is a source of confusion rather than of effectiveness and genuine dissemination". Further, "co-operation projects should more often lead to results which can be measured in practical terms, which means that each project requires financial resources greater than the 60,000-150,000 ECU granted by PACTE" (CEC, 1995-b, p.17).

<sup>9</sup> There are examples of total expenditure in RECITE projects going above four million ECUs, as in the ENVIRONET and ROCNORD projects (see CEC, 1995, p.6).

<sup>10</sup> The average ERDF budget contribution per project of the ECOS/OUVERTURE programme ranges between 100,000-150,000 ECUs (CEC, 1995, p.3). The reasons for focusing on RECITE rather the

## 7.2 Looking more closely at the RECITE projects

### 7.2.1 The targets of the programmes

RECITE promotes four particular objectives regarding the 'cohesion' target of the Commission as defined in the White Paper on 'Growth, Competitiveness and Employment' (CEC, 1995-b, p.8).

First, the development of 'know-how' through novel approaches to local problems and the encouragement of the transfer of know-how from the more advanced to less favoured cities and urban-regions (CEC, 1995, p.14).

Second, the creation of economies of scale through the implementation of common programmes that respond to shared local-level problems and challenges. The various means for achieving this include access to results of shared-cost studies and expertise, centralised information or services, and the development of model approaches bringing together 'good practice'<sup>11</sup> suitable for wider diffusion (CEC, 1995, pp.16-7).

Third, the promotion of administrative efficiency at the local level, a target focusing particularly on the less favoured areas of the Community. This objective is concerned with the acquisition of new project-management skills through the adaptation and diffusion of successful policy responses from one European locality to another. Moreover, it aims to improve local level understanding of EU institutions and policies (CEC, 1995, pp.17-8).

Fourth, the identification of the scale and characteristics of sectoral change at the local level for the development of appropriate Community policy responses. The broader aim of this objective is the improvement of the quality and targeting of the policy proposals of the Structural Funds, especially regarding the integration of the EU urban and regional projects in the mainstream framework of Structural policies (CEC, 1995, p.18).

The policy themes promoted through these objectives include primarily economic development projects with emphasis on job creation, the modernisation of public

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ECOS/OUVERTURE, however, are more than just their financial requirements. The latter are designed to establish co-operative links between regions and cities in the EU and their counterparts in non-EU countries, primarily in central and eastern Europe (CEC, 1996).

administration, the 'information society' and research and technology development as well as issues affecting specific sectors that focus on the environment, culture, agriculture and tourism (see CEC, 1995, p.5). A full list of the thematic aspects and sectoral focus of the RECITE projects can be seen in Appendix 3.

### **7.2.2 The Administrative structure of the RECITE at the EU level**

Although there are slight variations in the way particular RECITE networks operate, in general, each thematic network comprises partners from 3 to 7 local authorities and involves cities/regions from a minimum of three different member states<sup>12</sup>. Furthermore, at least one third of the partners must belong to Objective 1 and/or Objective 6 areas (CEC, 1995-b, pp.7-8 and 44).

The Community acts as a 'catalyst' in the whole process of urban networking, a course of activities that can be schematically divided into four stages, portrayed diagrammatically in figure 7.1 (CEC, 1991-a). First, a Call for Proposals is published in the Official Journal of the Community identifying the themes for co-operation. Second, the Commission organises a meeting for information-exchange involving local authorities and other interested parties, usually in the framework of an annual conference, named 'Directoria'. It is in this conference that networks are originally formed, unless the networking participants are introduced prior to Directoria by an independent private consulting firm. Third, before the deadline given for applications, candidates submit their projects to the European Commission. Finally, the selection of the RECITE networks to be supported under Article 10 of the ERDF is made by the Commission based on a set of pre-arranged criteria. To each network selected a grant is awarded supplemented by technical support. The participants have two to three years (depending on the projects) to conclude their

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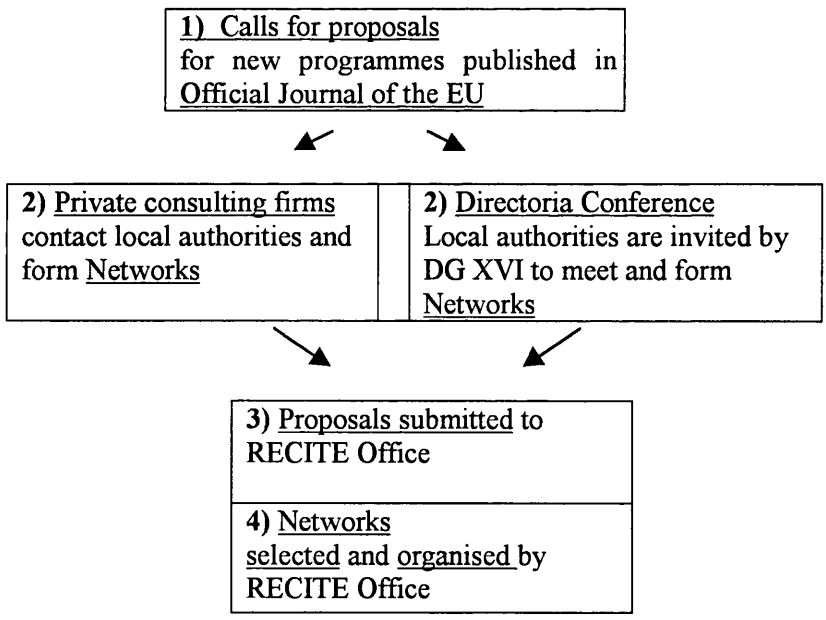
<sup>11</sup>The term 'good practice' indicates the production of guides relevant to local development issues (tourism, vocational training, SMEs promotion strategies) that have trans-European parallels and usage (Hoyle, K. 02/10/1997 – interview).

<sup>12</sup> At the first programming period, however, the rules were not strictly formed. So, there was one network with only two members (ROCNORD) and several with more than 7 partners (such as COMPOSTELA FORET, DYONISOS, CHAMBERS OF COMMERCE, and EUROCITIES). The latter were functioning primarily through conference proceedings (CEC, 1995, p.6).

operations. The broader aim is the establishment of trans-national co-operation networks that would continue their activities on a self-financing basis after the end of the funding period (CEC, 1995-b, pp.9 and 20; Christofidou, T. 06/03/1997 - interview).

The prime role in the administration of the urban/regional networks formed belongs to the Project Leader, which is one of the participating localities with responsibilities to both the Commission and the network partners. Responsibilities to the Commission include the signing of the project contract with the RECITE Office, the assumption of the financial management of the project and the submission of the various reports. Regarding the participating local authorities, the project leader acts as the network's point of reference and is responsible for the reception from the Community and the subsequent distribution of the project's financial resources, as well as the arrangement and co-ordination of the various meetings and events (Costello, K. 12/11/1997 – interview; Hoyle, K. 02/10/1997 – interview).

**Figure 7.1 :The formation of RECITE networks**



The monitoring, evaluation and technical assistance of RECITE projects has been allocated by DG XVI to the RECITE Office, which is run by an independent consulting firm. It is the RECITE Office's responsibility to publish the 'call for proposals' for a new RECITE

phase, select the appropriate networks and distribute, finally, the financial resources to the entitled parties<sup>13</sup> (Skarvelis, E. 24/07/1997 - interview).

The thesis explores the first phase of the RECITE networks, as the 56 projects selected for the RECITE II programme had not started their operations during the fieldwork period. Further, despite the RECITE timetable limiting operations to a 2-3 year period, most of the networks that started in 1992 continued until 1996, and some<sup>14</sup> got an approved extension for the submission of their final report until 1997 (CEC, 1995, p.8). The experience of the first phase of the RECITE projects, therefore, is a relatively recent one. In this context, the thesis explores two networks that operated under the 'RECITE' programme of Article 10 of the ERDF for the 1992-97 period, EUROSUNET and SCIENTIFIC CENTRES.

### **7.3 Research methodology:**

#### **7.3.1 The selection of the two case-study RECITE networks**

The direct relevance of the themes of EUROSUNET and SCIENTIFIC CENTRES networks (focusing on assistance to SMEs, urban tourism promotion, research and technology development) to concerns about the 'cohesion' target and the capacity of the less favoured localities in the Community to utilise the benefits of the single market was a main reason for selecting these particular projects of the RECITE programme. However, there are further reasons that led to the selection of these two case-study networks, key amongst them being that the participating cities are examples of North-South European urban divergence.

In more detail and regarding EUROSUNET, the impact of the dissimilar administrative frameworks and responsibilities of the six partners - Cork County Council (IRL), Bayes/Bergueda (E), Bethune (F), Charleroi (B) and Warrington (UK) - was apparent from the very beginning of the co-operation period. The partnership originally began with the Region of Catalonia (Catalonia Generalitat) being the Spanish representative only to be

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<sup>13</sup> For the 1992-97 period, or the first phase of the RECITE programme, the 36 projects selected were monitored by ECOTEC Research and Consulting, a British private consulting company responsible for the running of the RECITE Office through its offices in Brussels. For the current (1998-2001) second phase of the programme (RECITE II), the RECITE Office is run by ARCI Consulting (CEC, 1995, p.2; Killeen S. 07/03/1997 - interview).

<sup>14</sup> COMPOSTELA FORET, EUROCERAM, HYDRE, EURISLES (CEC, 1995, p.8).

subsequently replaced by the two adjacent Spanish counties due to the incompatible scale of the Region of Catalonia<sup>15</sup> with the rest of the partners (CEC, 1996-b, p.161).

The fieldwork on EUROSUNET consisted of visits to the cities of Cork, Warrington and Bayes/Bergueda. The factors that determined the selection of these three local authorities out of the five participants are the following. First, the opportunity that Bayes/Bergueda (E) and Warrington (UK) offered for a direct comparative examination of the way the programme was approached and utilised by the respective local authorities. The cities are presented as examples of a Southern urban governance (Bayes/Bergueda) with centralised and personified administration, and a Northern city (Warrington), with a comparatively high level of local autonomy and a professionalised bureaucratic administration.

Second, the visit to Cork was decided on the basis of the project-leader role that the city had in the network, as this facilitated the collection of overall information about EUROSUNET. Also, the governance of Irish cities shares a number of similarities with both the Southern local level, regarding the centralised nature of the national government system and limited degree of financial autonomy, and with Northern local governance mode(s), regarding the absence of a discernible political executive and the concentration of executive power in a professionalised bureaucracy<sup>16</sup>. In this context, the participation of Cork in the network is examined in comparison both with Warrington, illustrating the importance of decentralised structures for the utilisation of the EU urban programmes, and with Bayes/Bergueda, illustrating the impact of personified local executive power on the administration of EU programmes.

The second case-study network, SCIENTIFIC CENTRES, consisted of four urban-regional authorities - Midi-Pyrenees/Toulouse (Fr), Basque Government (E), Region Campania/Napoli (I), Valencia Generalitat (E) - and the City of Dafni, a small municipality<sup>17</sup> of the Athens metropolitan area. The implications of the incompatibility of the administrative structures of the participants for the effectiveness of the network's policies, and the capacity of

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<sup>15</sup> In terms of population and territory.

<sup>16</sup> As discussed in chapter four.

the city of Dafni to participate and benefit from the programme was explored through visits and interviews in Toulouse (project leader participant), and Athens.

Furthermore, Valencia was chosen as a case-study. Of particular interest regarding SCIENTIFIC CENTRES was the examination of the relation between the regional and local level in Spain. In the first phase of RECITE (1992-1997), Spain participated with 36 regional level authorities as opposed to only 9 participants from the urban level (CEC, 1996-b, p.11). Valencia is an example of this. While the urban level was absent, the regional level participated in 9 RECITE networks during that time (CEC, 1996-b). The comparative capacity of the urban and regional authorities in Valencia to participate and utilise the EU programmes was examined through the visit and interviews in this city.

The choice of case-study cities and networks in this chapter has particular limitations. A different selection of RECITE networks from the plethora of available programmes could present different governance responses and information. This is recognised here. However, the selection of two networks was an attempt to address this shortcoming in the methodology. It extended the choice of cities to be examined and provided information about northern and southern local authorities and the regional level in Spain. The two case-study networks, therefore, are approached as complementary in the examination. The final part of the chapter discusses the experiences of all cities from both networks.

### **7.3.2 Formation of interview schedule**

From the point of view of the fieldwork, the first objective was to obtain information from official reports on the targets, proceedings and outcome of the projects as well as data on the sources of co-financing and expense allocation. The second objective was to access information illustrative of the relative local capacity to engage in, and benefit from RECITE. For both of these reasons, visits to the participating cities and interviews were selected as the most appropriate research method.

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<sup>17</sup> With a population of approximately 50,000.



Detailed information of the first type on particular EU networks is not available in secondary sources, or in EU material about ERDF policies. It had to be collected at the local level. More importantly, EU reports do not elucidate the diverse governance responses of the participating cities to EU networks: the local ability to meet the financial, technical and administrative requirements of the networks, the involvement of the national administration in the projects, the local political procedures followed and the role of local interest groups in the programme. Such rich and detailed information could only be generated through a discussion at the local level with interviewees involved in the programme. A standardised questionnaire could not access this category of qualitative material and bring out the variety of local conditions (Valentine, G. 1997, pp.110-1).

In order to make comparison between the participating cities possible, while retaining flexibility during discussion, interviews were carried out in a semi-structured form. This permitted the adaptation of the interview to the specificity of the local circumstances as presented by the interviewee. Also, it allowed subsequent comparability between the case-study cities and highlighted the impact and importance of their diversity for the utilisation of RECITE.

Based on the local authority characteristics identified in chapters 4 and 5 as relevant to urban competitiveness and to the north-south divide of urban governance in Europe, the interview schedule focused on:

- a) procedures prior to networking that lead to the local participation in the network;
- b) the relative ability of the locality to access information relevant to the EU projects;
- c) criteria for the selection of partners;
- d) perception of the local importance of the themes of the project;
- e) the local capacity for meeting the financial and technical requirements of the project;
- f) the degree of involvement of the national level in the project (local dependence on central funds for co-financing, technical input, involvement in the policy agenda of the network);
- g) the role (participation) of local interest groups in the programme;

- h) issues that arose during co-operation due to the diverse administrative and political structures of the participants;
- i) the outcome of the project and an assessment of local participation from the local perspective.

### **7.3.3 Targeting the interviewees**

Concerning the selection of the interviewees, the principal policy co-ordinators of the programmes at the EU and the local level were contacted. Regarding the local level, this decision was relevant to the guidelines of the RECITE programmes. The ERDF documentation on RECITE states that:

“In order to fully contribute to and benefit from involvement in an interregional co-operation project, a partner needs to commit an appropriate level of human as well as financial resources. At best this tends to involve a senior officer of the authority who is able to draw upon the authorities’ technical resources as required and, through fully appreciating the benefits that the project can bring to his authority, ensure that feedback and involvement at a political level occurs when necessary” (CEC, 1995, p.9).

This was the case with the two RECITE programmes explored. One senior officer was responsible for the political representation of the locality at the network’s proceedings and this was the person interviewed. This officer negotiated the network’s agenda at the various meetings during the programme period, engaging the responsibility to obtain acceptance from the respective local authority for the measures agreed at these meetings and led all the local groups (administrative, financial, technical) that worked for the project during the programme period. Also the project-leader city of each network was visited with the aim of gaining an overall picture of the network’s administration.

At the local level, therefore, interviews were conducted with the principal project co-ordinators of the cities of Cork (project leader city), Warrington and Bayes/Berguenda that participated in the EUROSINET network, as well as the project co-ordinators of the cities of

Valencia, Dafni, and Midi-Pyrenees/Toulouse (project leader) that participated in the SCIENTIFIC CENTRES network.

Identifying the above contacts was not a straightforward process, as their names do not appear in EU reports. The targeting of potential interviewees started from a visit to the RECITE Office in Brussels. Through this single initial contact, a list of informants at the local and EU levels was established. This exercise of building up layers of contacts continued at the local level, where the targeted interviewee was asked to suggest further informants useful to the research (see also Valentine G. 1997, pp.112 and 116).

At the EU level, the principal administrative body responsible for the organisation and monitoring of the projects was visited, the RECITE Office, and interviews were conducted with the Assistant Director of the Office as well as with the Chief Co-ordinator of RECITE programmes for the 1992-1997 period - including the EUROSUNET and SCIENTIFIC CENTRES networks. The visit to the RECITE Office in Brussels had two objectives. First, the clarification of the administrative and organisational aspects of EU networking policies. Second, it aimed at obtaining an overall assessment of the impact of European urban heterogeneity on the Community's networking policies. Special emphasis was put on the way the RECITE Office viewed and accommodated the North-South dissimilarity of urban Europe during the partnership selection period, as well as on issues related to European urban diversity that arose during the running of the programmes. The assistance of the Chief Co-ordinator of the RECITE programmes was also important regarding the selection of the appropriate case-study networks to be explored and - as mentioned above - regarding the suggestion of further interviewees at the local and EU levels.

In more detail, based on the above two main objectives, the schedule of the semi-structured interviews at the RECITE Office inquired into:

- a) the aims of the RECITE programmes and the rationale behind their introduction;
- b) the administrative and operational structure of the RECITE Office as well as the nature of its co-operation with DG XVI and the ERDF;

- c) the procedures for launching the 'call for proposals' period;
- d) the criteria (formal requirements) for the selection of cities for networks;
- e) the extent to which European urban diversity is recognised as an issue and addressed through the programme's structures;
- f) the extent that the north-south dimension of the European urban diversity is recognised and addressed through the programme's structures;
- g) the experience of the RECITE Office of the impact of European urban diversity on the running of the programmes;
- h) the identification of particular urban networks that constitute good examples for further study of the impact of north-south European urban differences on the running of the programmes and the capacity of participating cities to benefit from them.

Interviews were also conducted at the new RECITE office in Brussels, responsible for the launch and administration of the second phase (RECITE II: 1998-2002) of the programme. The aim was to explore the extent to which the experience acquired from the previous programming period was accommodated in new programmes as well as to obtain information about issues relating to urban diversity that arose in the most recent 'call for proposals'.

Finally, the Council of the European Municipalities and Regions (CEMR) was visited at their central offices in Brussels and their local offices in Athens. The CEMR is an umbrella organisation representing local and regional authorities from all fifteen Member States, with nearly 100,000 members and an active participation in the Community's networking projects (CEMR, 1996, p.5). The interviews explored the experience of this organisation regarding the impact of European urban diversity on the capacity of cities to utilise the EU programmes. A full list of interviewees is provided in Appendix 1.

## **7.4 The EUROSUNET network**

### **7.4.1 Objectives of the network**

As shown in Community documents, EUROSUNET dates back to July 1991 when the Official Journal of the Commission carried a 'call for proposals' under RECITE. The project operated until June 1995 with a total cost of 2,5 million ECUs of which ERDF contribution was 1,6 million ECUs (CEC, 1996, EUROSUNET; CEC, 1996-b, pp.160-3).

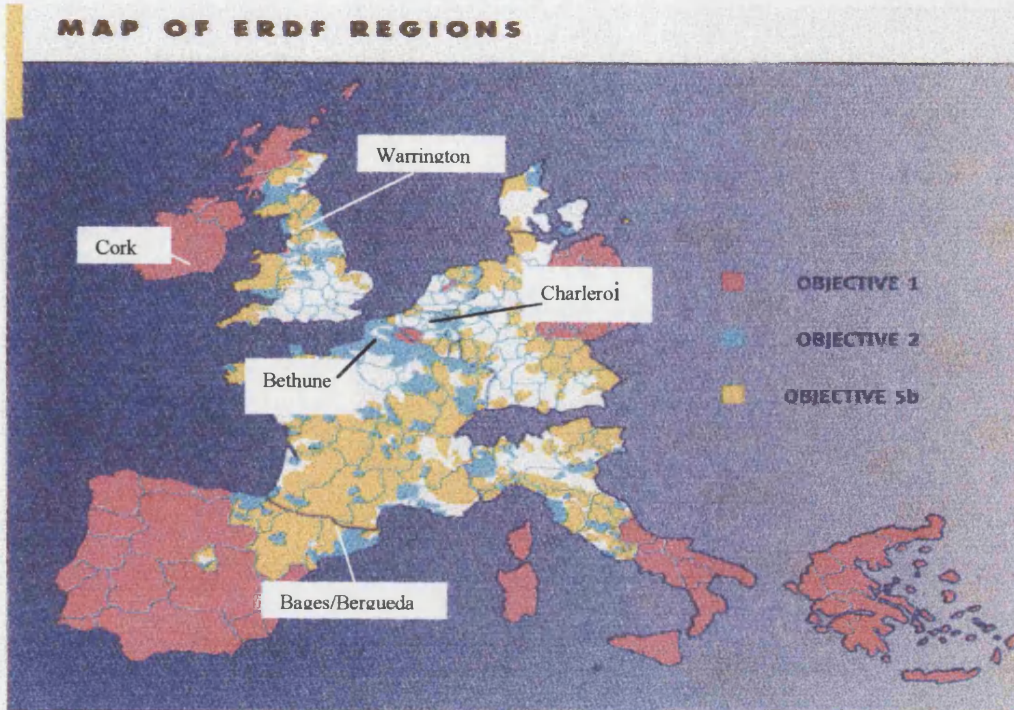
The network was formed on the initiative of Cork County Council together with Cork City Council and with the assistance of the Irish Trade Board. In October 1991 a proposal was submitted by Cork County Council as leader of the newly established EUROSUNET network involving partners from Warrington (UK), Region of Catalonia (E), Charleroi (B), and Béthune (F) (see Figure 7.2).

The associate local authorities had no previous experience of working together, but were introduced by a private consulting firm based in Warrington. (Costello, K. 12/11/1997 - interview). The Commission's confirmation that EUROSUNET was one of the 22 networks which would be funded under RECITE initiated - at the beginning of 1992 - the procedures for the formation of various working groups within the network. The only alteration imposed by the Commission to the original EUROSUNET was the substitution of one participant, the Region of Catalonia, with two counties in the Region, namely Bayes and Bergueda (Farguell, J. 31/03/1998 - interview).

Co-operation amongst the partner localities involved joint action on five themes of mutual interest. These were:

- a) town and country planning, geared to environmental protection, reclamation of derelict land and the renewal of residential districts;
- b) education and training, with emphasis on the provision of training for 'local economic development units' and employers' associations;
- c) local development initiatives aiming at promoting local SMEs' involvement in trans-frontier trading in Europe;

**Figure 7.2 The EUROSUNET cities**



- d) tourism development in partner regions, focusing on the search for proposals regarding the promotion of urban tourism; and,
- e) public procurement, designed to improve understanding among government departments as well as among industrial and commercial suppliers of the new Community regulations on public markets (CEC, 1996, EUROSUNET).

#### **7.4.2 Operational structure**

The EUROSUNET partners organised the promotion of the aforementioned themes through the creation of three separate Working Groups and a 'Board of Directors', made up of the chief executives of the localities concerned. The board adopted general policy directions, co-ordinated the various projects and exercised financial control (Hoyle, K. 02/10/1997 - interview). The Working Groups focused on the following operational areas.

First, a 'Local Development Initiatives' (LDI) Working Group was set up aiming to deal with SMEs activities and, in particular, with the ways in which local SMEs could be assisted in utilising the opportunities offered by the Single European Market. This working

group focused on the themes (sub-programmes) of 'Business Exchanges', 'Public Procurement Seminars' and 'Market Study Visits' (CEC, 1996-e, pp.2-4 and 8).

Second, a Working Group on 'Tourism' was created in order to explore avenues through which the local authorities could contribute to the development of tourism in their areas (CEC, 1996-g).

The third Working Group, focusing on 'Planning and the Environment', covered themes relevant to the impact of environmental policies on economic development as well as on the treatment and rehabilitation of contaminated land (CEC, 1996-f).

Meetings of all the parties involved in each working group took place on a six monthly basis throughout the programme period, while the Board's general meetings took place approximately once a year (Hoyle, K. 02/10/1997 – interview). A list of the projects promoted under these working groups can be seen in Appendix 3.

#### **7.4.3 Analysis of the research findings: insight into governance**

The fieldwork highlighted the presence of a strong relationship between the characteristics of the administrative, political and regulatory structures of the participating cities, their diverse approaches to EU networking policies, and, consequently, their diverse capacity to engage in and profit from this particular EU urban programme. The local authority characteristics that determined (limited, or enhanced) the ability of the local level to participate and utilise the network correspond with the traits that form the ideal-typical north-south divide of urban governance in Europe.

Differences between the EUROSINET cities appeared from the very beginning of the project and corresponded to their respective positions regarding information provision. The centralised structures of the Spanish and Irish governmental systems restricted the take up of opportunities that the programmes offered for the promotion of endogenous policies. During the programme the following areas were identified as central in influencing the effectiveness of cities involvement in the network. First, the distribution of executive powers in municipal administrative structures. In this case, the dominance of the political element at the Spanish

local level - as opposed to the politically unobstructed promotion of projects in the Irish and UK case studies - had a negative impact both on Spanish participation and on the overall effectiveness of the network's policies. Second, the involvement of interest groups (chambers of commerce, SMEs organisations, citizen representations) fostered the progress of EUROSUNET projects in Warrington and Cork, with a noted absence of such arrangements at the Spanish local level. We will explore these in more detail.

#### Access to information

The consulting company specialised in European relations that brought the partners together and organised the initial proposal for EUROSUNET is based in Warrington and has a strong record of co-operation with the city's administration (Houle, K.02/10/1997 – interview). However, the cities of Bayes/Bergueda and Cork were not approached directly by the consultant. In the case of Bayes/Bergueda, it was a Catalan regional organisation, named COPCA, working on behalf of the Region of Catalonia<sup>18</sup> and specialising in industrial and trade relations with foreign countries that was first informed about EUROSUNET (Farguell, J. 31/03/1998 – interview). In the case of Cork, it was a national organisation, the Irish Trade Board, that was initially contacted by the consultant (Costello, K.12/11/1997 - interview).

The participation of Bayes/Bergueda and Cork in EUROSUNET was determined by the power of the aforementioned organisations to distribute the relevant information and nominate the respective local participants. The effectiveness with which the two cities utilised the programme was impaired as a result of this.

Regarding Bayes/Bergueda, the original decision of the Region of Catalonia was to participate in the programme and to assist the two counties (Bayes/Bergueda) through it. As this was not accepted by the RECITE Office due to the incompatibility of scale between the Region of Catalonia and the other urban level EUROSUNET participants, the promotion of the direct involvement of Bayes and Bergueda in the network was decided by the Catalan regional authority (Farguell, J. 31/03/1998 – interview).

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<sup>18</sup> Catalonia Generalitat.



The county administrative level in Spain exists only in Catalonia. The counties (Comarcas), constitute an administrative tier between the regional and municipal political levels with a limited range of powers<sup>19</sup>. The two Catalan cities involved in the programme, Berga (the capital of county Bergueda) and Manresa (the capital of county Bayes) were chosen by the Region of Catalonia for two reasons. First, because of their similar characteristics as declining mining economies and, second, because of their population scale which - if added together - would be similar to the average population scale of the other urban participants in EUROSUNET<sup>20</sup> (Farguell, J. 31/03/1998 – interview). The arbitrary decision of the region to promote the joint participation of two distinct cities as a single participant reduced the prospects of either city to benefit from the programme.

Co-operation between the capital cities of Bayes and Bergueda prior to EUROSUNET was minimal. Thus, instead of concentrating effort on the advancement of ‘local’ targets through the programme, the two cities devoted a substantial amount of time during the limited programming period to the identification of areas of common interest and working methods (Farguell, J. 31/03/1998 – interview). Furthermore, it had a negative impact on the development of the programme as a whole.

The Bayes/Bergueda participation was exceptionally represented by two members on the Board of Directors, the mayors of the capital cities of the counties (Farguell, J. 31/03/1998 – interview). This created an unbalanced representation of cities on the EUROSUNET Board and, because of the internal co-operation problems between Bayes and Bergueda, resulted in a delay of 6 to 12 months in setting up the network’s agenda and starting the initial phase of the programme (Costello, K. 12/11/1997 - interview).

The presence of centralised structures of information provision in the case of Cork impaired the nature of the ‘local’ targets advanced through the programme. The policy agenda for Cork’s participation in EUROSUNET was already set up by the Irish Trade Board prior to

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<sup>19</sup> Comarcas perform a co-ordinating role linking the county’s capital city with the villages in the area. They are staffed by appointed representatives from the local elected councils and have a president as a leader, normally the mayor of the county’s capital city (Farguell, J. 31/03/1998 – interview).

the city's involvement in the programme. As K. Costello, Cork's chief representative in the network stated, "the Cork Councils were approached by the Irish Trade Board who actually played an active part in EUROSUNET. When it regards the actual conceptualising and development of the project, however, we really responded to an approach rather than developing it ourselves" (Costello, K. 12/11/1997 - interview).

Moreover, implications regarding the administration of the programme were detected. Communications from the Commission on financial matters - primarily concerning the depositing of the EU contribution to EUROSUNET - were forwarded to the Irish Central Government Department in Dublin instead of the local level in Cork. As Cork was the network's project leader responsible for the reception and allocation of financial resources, the delays that occurred had a negative effect on the funding and, consequently, the progress of particular EUROSUNET projects<sup>21</sup> (Costello, K. 12/11/1997 - interview).

#### The distribution of executive powers at the local level

Variations amongst the participants regarding the distribution of executive power within municipal structures were manifest at the level of representatives of the cities in the network. Warrington's chief representative in EUROSUNET (Pizer, M.), was the general director of the Council's Economic Development Unit. Similarly, for Cork, the city's main representative in the network (Costello, K.) was the local non-political autonomous manager, as discussed in chapter four. The representatives of both Cork and Warrington in EUROSUNET, therefore, were full-time bureaucrats who were part of the local administration. This contrasts with the Bayes/Bergueda representation, as the deputies of the two Catalan counties were the mayors of the respective capital cities<sup>22</sup> (Farguell, J. 31/03/1998 - interview). This differentiation constitutes an indication of the significant executive role of

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<sup>20</sup> The population of Berga is 40,000 inhabitants, the population of Manresa is 150,000, while the population of Cork, for example, is approximately 200,000 inhabitants.

<sup>21</sup> Cork's chief representative in EUROSUNET referred to a "communications block" at the central government department in Dublin. "Many times" - he stressed - "I would be looking for information from Brussels that wouldn't be forthcoming. They are anxious to hold on to that sense of power. This was also stressed to me by the Commission as a problem" (Costello, K. 12/11/1997 - interview).

<sup>22</sup> Jaume Farguell, the mayor of Berga and Mr. Inglesias, the mayor of Manresa (Farguell, J. 31/03/1998 - interview).

the professional/bureaucratic levels in the structures of Warrington and Cork, and of the dominance of political and personified structures of leadership in the cases of Bayes/Bergueda<sup>23</sup>.

The presence of a bureaucratic mechanism as the basis of the local administration was stressed by the Cork and Warrington interviewees as a central factor for the successful involvement of these two cities in EUROSUNET. What was emphasised was the absence of involvement of the local political authorities in the programme during the implementation phase<sup>24</sup>. This was contrasted with the Bayes/Bergueda representation in the network and with the problems that occurred in EUROSUNET due to the dominance of the political element in the Catalan municipal structures (Pizer, M. 02/10/1997 – interview; Costello, K. 12/11/1997 – interview). Changes of Bayes/Bergueda representatives in EUROSUNET due to local election results impaired the continuity of the local political commitment to adopted policies. Further, it impaired the efficiency of policy-making at the various network committees as the capacity of the Catalan deputies to proceed with the implementation of policies was questioned due to the temporality of their politically appointed status<sup>25</sup> (Pizer, M. 02/10/1997 – interview).

A second issue relevant to the diversity of the executive structures of the participants - influencing participation in EUROSUNET - relates to the local apprehension of the aims and significance of the programme. The main reasons offered by the Cork and Warrington interviewees for the involvement of their cities in the project regarded the opportunities offered to the local entrepreneurial community for business expansion – a very pragmatic target advanced by local bureaucrats (Costello, K. 12/11/1997 – interview; Pizer, M.

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<sup>23</sup> The main representative of Bergueda in the EUROSUNET project, for instance, J. Farguell, was both the president of the local county council and the mayor of Berga which is the capital city of the county (Farguell, J. 31/03/1998 – interview).

<sup>24</sup> As M. Pizer, Chief of the Economic Development Unit of Warrington stressed, “we have to report the strategy with every detail possible as well as the progress we are making towards implementing that strategy, but as long as we get approval by the local politicians there is no further interference by them” (Pizer, M. 02/10/1997 – interview). Similarly, for K. Costello from Cork’s administration, “the legally defined function of the elected council is to broadly determine the policy. The running of the local affairs, however, is in the hands of a full time official, who heads the administrative organisation. The elected members change but we don’t and that is important regarding the efficiency of policy implementation” (Costello, K. 12/11/1997 – interview).

02/10/1997 – interview). In contrast, the reasons stressed by the interviewee from Bayes/Bergueda were more general. They related to the local importance attached to the concept of European integration - and the European programmes in particular - as an opportunity for the promotion of Catalan identity (Farguell, J. 31/03/1998 – interview).

The absence of a clear distinction between the political and the administrative spheres of action in the Bayes/Bergueda municipalities, as well as the limitations imposed by this on the local capacity to further utilise the network, were recognised by the interviewee from Bergueda<sup>26</sup>. This, however, was justified on the basis of the financial incapacity of the two localities to support a discernible bureaucratic administration (Farguell, J. 31/03/1998 – interview). The argument is in line with the correlation suggested in this thesis (chapter 4) between the financial and functional autonomy of a municipality and the presence of a professionalised bureaucratic mechanism demanded by the complexity of functions performed at the local level<sup>27</sup>.

#### The role of local interest groups

This area of comparative analysis focuses on relations between the cities' administration and organised local interest groups. The first issue explored at the local level was the presence of private and voluntary sector groups in the form of SMEs organisations, chambers of commerce and resident/community associations. Second, the mode of incorporation of interest groups in local policy-making procedures and their capacity to

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<sup>25</sup> The presence of two representatives from Bayes and Bergueda in the Board of Directors, for instance, had a negative effect on the development of particular projects when the mayor of Manresa lost his seat in the local elections (Farguell, J. 31/03/1998 – interview).

<sup>26</sup> As J. Farguell, the mayor of the capital city of Bergueda stressed, “the programme for us never went down to the real level of competencies. It was mainly seen as an international network of exchange of experience. If we were to establish new institutions to take advantage of the programme we would have had problems” (Farguell, J.T. 31/03/1998 – interview).

<sup>27</sup> An example from the EUROSINET experience reflecting this argument comes from the proceedings of the Planning and the Environment working group. As the Commission's report on this working group notes, “throughout the work programme it became clear that there were certain areas in which some partners were more advanced than others in both their practical and legislative approach to various topics. Chief amongst these were Warrington's expertise in matters such as Urban Forestry and Environmental Auditing”. In detail, as the Commission's report continues, “during the Contaminated Land project it became obvious that, because of statutory requirements in the UK, Warrington was the most advanced in the identification and treatment of the issue. In Bayes/Bergueda, Charleroi, and Bethune, the local authorities were aware of the problem, ...but power and resources to deal with it are relatively limited and divided among several bodies” (CEC, 1996-f, pp.5 and 8).

influence the trajectories of local policies was investigated. The heterogeneity amongst the participants on this issue is a key indication of the diversity of their 'governance' structures (see Urry, J. 1981; Mouzelis, N. 1998). The importance of this diversity for the formation and advancement of endogenous development strategies through the network is discussed next.

In the city of Cork, the platform for the representation of local interest groups in EUROSUNET was provided by a national organisation, the Irish Trade Board (ITB). It is the decentralised structure of the Irish Trade Board with offices in most regional centres in Ireland (including Cork), that played an important role for the advancement of the interests of the local entrepreneurial community through EUROSUNET. The dominant position of the ITB in representing the local private sector, and the efficiency of its structures, was manifested in the role it assumed in co-ordinating events on behalf of the whole EUROSUNET network<sup>28</sup>. The articulation of the local municipal structures in Cork, however, does not incorporate local interest groups (Costello, K. 12/11/1998 – interview).

A different example is offered by Bayes/Bergueda. In this case municipal policy-making structures do accommodate local interest groups. However, co-operation between the local authorities and interest groups during EUROSUNET was minimal. As J. Farguell, the Mayor of Berga indicated, "there is a low citizen participation. The aim is to create permanent local civil and popular representation but it doesn't quite work yet. The business community participates in many proceedings but their main contribution is ideas. There is little financial co-operation and that is restricted to banks and even less to the Chamber of Commerce" (Farguell, J. 31/03/1998 – interview).

The participation of Warrington in EUROSUNET, on the other hand, was determined by the institutionalised interaction between the local authority and interest groups. In fact, the planning and organisation of the various activities of the network was organised in close co-operation between the Council and local interest groups. Moreover, co-operation extended to the financial aspects of the project. Most of the financial responsibilities of Warrington in

EUROSYNET - and particularly the ones regarding participation in trade fairs and exhibitions - were initially met by the local business community together with the Council. Expenses were reclaimed through the Commission afterwards<sup>29</sup> (Hoyle, K. 02/10/1998 – interview).

The Commission's report on the EUROSYNET Local Development Initiatives working group recognised the diverse situations of the participants on this issue by stressing that "the partners were involved in the development of SMEs to varying degrees in their respective regions due to differing national policies and/or practices" (CEC, 1996-e, pp.5 and 14). More explicitly, "with the exception being Warrington, the rest of the participants were not actively involved in SME development when the EUROSYNET project was first mooted. For example, in the case of Cork, the local authority had neither responsibility nor authority for the development of the SME sector" (CEC, 1996-e, p.9).

The implications of this diversity for the capacity of cities to utilise EUROSYNET were apparent. Difficulties were encountered in all cities but Warrington during the early stages of a survey of firms that was carried out by the Planning and the Environment working group in order to assess the impact of environmental policies on economic development. The problems were recognised by the Commission's report on EUROSYNET as being "due to the lack of a positive working relationship between the local authority and private companies and the perception by the companies of a regulator rather than a partner" (CEC, 1996-f, p.7). Moreover, the Commission's report on the Tourism working group indicated that "Warrington Borough Council has a long standing relationship with the local business community through its established activities in the field of SME development. Through its involvement in this tourism project, it has widened that relationship by the establishment of closer links with the

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<sup>28</sup> The ITB maintains offices in most major European cities. In this case, the ITB department in Germany organised the participation of the EUROSYNET SMEs in the four trade fairs that took place in this country under the Market Study Visits sub-programme (Costello, K. 12/11/1998 – interview).

<sup>29</sup> As M. Pizer, responsible for the Local Development Initiative working group for the Warrington Council stressed, "Warrington is a town where people work very closely together. The chamber of commerce, the college and various business agencies all work with us – the council - on a regular basis. An example of this co-operation is the 'trade-shop' that we organised at Warrington as part of the EUROSYNET programme. These kind of events use a lot of funding and the particular one was a 400,000 pounds event that was initially financed by the local business community and the council. Now, the companies that we took on trade missions as part of the EUROSYNET earned hard currency

tourism and leisure sectors in its area, with particular emphasis on Conference Tourism” (CEC, 1996-g, p.6).

## **7.5 The SCIENTIFIC CENTRES network**

### **7.5.1 The objectives of the network**

The SCIENTIFIC CENTRES projects started in 1992 under the leadership of Midi-Pyrenees (F), and involved the Basque Government and Valencia Generalitat (E), the Region Campania (I) and the City of Dafni (Gr) (see Figure 7.3). The project operated until the end of 1995 with a total cost of 3,5 million ECUs (CEC, 1996-b, p.103). Prior to the participants’ tender for the establishment of the network to the RECITE Office, the regions were already working together in the area of information technology.

The participation of Midi-Pyrenees, Valencia and Campania regions during the 1990-1991 period in four common PACTE networking programmes<sup>30</sup>, in particular, was a substantial factor for the formation/submission of the common proposal (Cros, P.H. 09/10/1998 - interview). As a last introductory note, it has to be mentioned that the regional level participants in this network represent urban-regional socio-economic formations and in particular the cities of Toulouse (Midi-Pyrenees), Valencia (Valencia Generalitat) and Napoli (Region Campania).

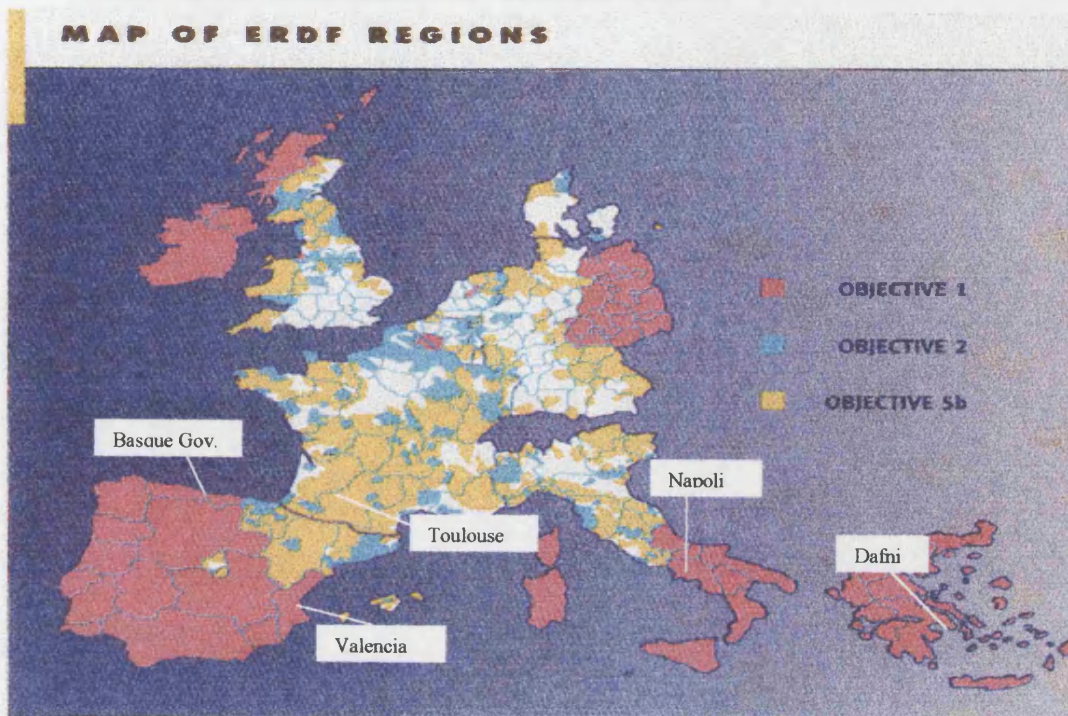
The main objective of the project was to assist in the creation of a permanent working group of scientists that would share common expertise on High Performance Computing (HPC) networks and would, consequently, provide services and accessibility in this area of information technology to the industries of the participating localities (CEC, 1995-f, p.1 - Rapport d’ Activités).

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that was then transferred back into the project. Actually, all our expenses for EUROSUNET were paid off locally and then money was reclaimed from Europe” (Pizer, M. 02/10/1997 – interview).

<sup>30</sup> The programmes were the ‘Technologies Viti’, ‘Route de Hautes Technologies de l’, ‘Europe du Sud’, ‘Forum International de Technologies en Faveur de l’, and finally, the ‘LUCÉ’ project, all run under PACTE for the 1990-1991 period and in the domains of ‘Technology and Research’ and ‘Peripheral Development’ (CEC, 1997-e).

**Figure 7.3 The SCIENTIFIC CENTRES participants**



The focusing of this project on SMEs and their requirements in HPC technology reflects wider Community considerations as presented in the White Paper on 'Growth, Competitiveness and Employment'. This document put forward the EU target of enhanced economic competitiveness in the context of increasing global economic interconnectedness and proposed action at the local level as the most relevant (economically, politically) to economic growth policies (CEC, 1993-d). Similarly, the main SCIENTIFIC CENTRES report contrasted the situation in the USA and Japan with the limited attention that has been placed in EU policies on the industrial applications of HPC technology. Further, it stressed that SMEs are "the basic industrial sector of each participating region", indicating, this way, their importance as generators of both employment and economic growth (CEC, 1993-g, Annex 7, p.7). The relevance of HPC technology to SMEs' industrial applications consists in the following factors:

- a) the reduction of design and test-time of new products;
- b) the improvement of product quality through the optimisation of production to suit demands and environmental constraints; and,



c) the gain in competitiveness by the reduction of costs through first, extensive simulation, and second, the optimisation and automation of production and support processes (such as quality control of materials and products), (CEC, 1993-g, Annex 7, p.7).

### **7.5.2 Operational structure**

The network's organisational structure consisted of three major committees. First, the 'Pilot Committee' - the political committee of the network - composed of representatives from the participating regional and local authorities and headed by Midi-Pyrenees. Its role was to monitor the activities of the network, propose future developments and guarantee the compatibility of the adopted action with the operational guidelines of RECITE. Second, the 'Evaluation Committee' - the scientific committee of the network - which was the primary advisory body linking the university/research centres involved in the project with the local authorities (CEC, 1995-f – Appendix 8). Third, the 'Technical Co-ordination Committee', the managerial and administrative body of the network, with prime responsibility for setting up the various joint projects that took place during the programme.

Furthermore, two technical units were established. First, the 'Juridical Committee', monitoring the conformity of the legal statute of the projects with the various national legal frameworks. This committee was also responsible for the preparation of a study for the formation of a European Economic Interest Grouping (EEIG) that would function as the legal infrastructure enabling further co-operation amongst the localities after the end of the programme period (Psaros, N. 09/05/1997-interview; CEC, 1995-b, p.104). Second, the 'Telematic Network Committee' arranging the provision of adequate management and expertise in this particular project of the programme (Telematic computer networks). Interaction between the committees was achieved through a series of meetings that took place during the 1992-95 period (CEC, 1995-f, pp.10-1 - Rapport d' Activités).

In order to set up this RECITE project each partner delegated a number of university departments and/or research centres working on the domain of HPC networks<sup>31</sup>. The region of Midi-Pyrenees assigned responsibility for the scientific part of project to CERFACS<sup>32</sup> a leading research organisation based in Toulouse which was also in charge of the technical co-ordination of all the research centres involved.

### 7.5.3 Programme activities

The university/research centres involved in the project were provided with guidelines by the local authorities for the development of three major areas:

- a. the launch of a research programme on HPC networks;
- b. the improvement of the HPC network among the partners; and,
- c. the pursuit of a framework that would render the continuation of the project viable on a self-financing basis after the end of the RECITE programming period (Castellet Marti, J.M. 28/09/1998 - interview).

Regarding the incorporation of SMEs in the project, the universities/research centres involved were asked by the local authorities to focus on:

- a. the evaluation of the markets of the participating localities of existing needs in High Performance Computing services;
- b. the identification and targeting of SMEs end-users;

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<sup>31</sup> For the Basque Government the institutions involved were the 'LABEIN', the 'CEIT', and the 'School of Engineers' in Bilbao. The Region Campania delegated responsibility to the 'Istituto per la Ricerca sui Sistemi Informatici paralleli di Napoli', the 'Dipartimento di Informatici e Sistemistica', and the 'Universiti di Napoli 'Federico II''. For the City of Dafni the institution involved was the 'National Technical University of Athens' while Valencia Generalitat participated with the 'Technical University of Valencia', the 'University of Valencia', the 'University Jaume I', and the 'University of Alicante' (CEC, 1995-f, p.1 - Rapport d' Activités).

<sup>32</sup> The project's co-ordinating centre, the 'European Centre for Research and Advanced Training in Scientific Computation' (CERFACS), was established in 1987. It focuses on the evaluation of existing, and the development of new, tools which exploit high-performance serial, vector and parallel computers. CERFACS is a private company with the majority of its shareholders being major French public corporations and institutions such as the 'French Aerospace', the 'French Meteo' (the national meteorological organisation), as well as the national space agency and the national power supplier. Financial resources are provided partly by its members/partners and partly from grants and contracts from industry and from French and EU institutions (Cros, P.H. 1998-interview; CERFACS, 1998).

- c. the education and training of employees in HPC related companies and the development of case-studies to show the potential of HPC technology;
- d. the provision of support (financial, information provision) to SMEs interested in acquiring HPC technology during the programme period; and,
- e. the establishment of a network that would, on a permanent basis, provide support and information to the targeted SMEs about developments in HPC (CEC, 1993-g, annex 7).

In order to manage these objectives in an integrated manner, the research centres and universities participating in the network co-ordinated their activities through two major categories of action, namely the 'training' and 'joint projects' periods of the programme. A full list of the projects promoted under these titles can be seen in Appendix 4.

#### **7.5.4 Analysis of governance**

The research explored the interrelation between the distinctiveness of the administrative, regulatory and political profile of the urban and urban-regional authorities involved in SCIENTIFIC CENTRES and the impact of this diversity on the mode of local participation in the network. Four differences amongst the participants conditioned their ability to engage in the programme, illustrating the relevance of governance structures to the effectiveness with which EU programmes advance endogenous development policies. First, the diverse position of localities in accessing information relevant to EU spatial policies. Second, their capacity to meet the financial and technical requirements of the projects. Third, the dissimilar role entrusted by the local authorities to local interest groups in the programme. Fourth, the unequal capacity of the participants to build on the achievements of the projects as a result of their dissimilar local executive structures. These differences will be discussed in detail. Consequently, in the concluding part of the chapter, the governance responses of the case-study cities will be examined comparatively in the analytical framework of the north-south dimension of European urban diversity.

### Access to information

The dissimilar position of the cities/regions involved in SCIENTIFIC CENTRES in accessing information about the programme was a factor that conditioned their potential ability to fully benefit from the projects.

The Greek Ministry of Internal Affairs, for instance, was the only administrative department in the country at that time (1992), that had an 'on-line' direct communication with the Commission during the initial phase of the programme (Psaros, N. 09/05/1997 – interview). In this context, the involvement of Dafni in the network was determined by the controlling position of the Ministry with regard to direct information received from the Commission.

Information about the project was originally submitted by the Ministry of Internal Affairs to the local Prefecture (Region of Attiki) which – before the 1994 regional policy reform in Greece – was an administrative and not a political entity. EU regulations, however, demand the participation of local political authorities in networking programmes (Psaros, N. 09/05/1997 - interview). Dafni was approached by the local prefecture on the grounds of the eligibility of the city to participate in SCIENTIFIC CENTRES as a local political authority. However, the operational targets for local participation were already established by the Prefecture in conjunction with the National Technical University of Athens prior to Dafni's involvement in the network<sup>33</sup> (Psaros, N. 09/05/1997 – interview). The presence of centralised structures of information provision, in this case, affected the capacity of a locality to promote endogenous development targets through the EU networks, a strongly emphasised objective of the RECITE programmes (CEC, 1995, pp.14-7).

The opposite example regarding access to information is offered by the rest of the participants. The involvement of Midi-Pyrenees, Valencia, the Basque Government and Campania regions in common EU networks prior to SCIENTIFIC CENTRES was key for the identification of areas of common interest. The policy agenda and operational content of the

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<sup>33</sup> As N. Psaros, the city of Dafni co-ordinator in SCIENTIFIC CENTRES stated, "it was a clear bargaining process where we were told by the Prefecture the local benefits that would derive from our

SCIENTIFIC CENTRES, in fact, was negotiated and formed during this earlier co-operation period (Cros, P.H. 09/10/1998 - interview). In this case, by actively forming a particular thematic area of collaboration and a dynamic for further co-operation the aforementioned regions were information generators rather than passive recipients.

Two particular characteristics of the respective regional administrations were stressed by the interviewees in Midi-Pyrenees and Valencia as determinants of this co-operation trajectory. First, the significant degree of financial and administrative autonomy enjoyed by the regional level in Spain and France (Merenciano Camara, A. 01/04/1998 – interview). This enabled the allocation of resources required for the development of the PACTE projects and made feasible, subsequently, the advancement of co-operation through the financially and technically more demanding RECITE projects. Second, the close working relations between the regional administrative level and local interest groups, as the programme depended on - and to a large extent was driven by - the active participation of local universities/research centres and SMEs organisations (Perez Antoli, R. 22/09/1998 - interview; Cros, P.H. 09/10/1998 - interview).

#### The financial/technical requirements of the project and the role of local interest groups

The financial demands of SCIENTIFIC CENTRES were met by the participants through a variety of means, indicating both their dissimilar capacity to devote resources to the project and the varying level of importance attached to the programme by the local authorities. Regarding the technical requirements of the network, these were addressed primarily by the participating universities/research centres. The degree of collaboration between the local authorities, the research centres and the SMEs involved was central for the generation of resources and, consequently, for the achievement of local authority targets through the programme.

The project leader, the Midi-Pyrenees region, for example, has a close working relationship with the region's main technology institute, CERFACS. It was CERFACS that

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participation in the project, provided we would agree with the targets that were already set up" (Psaros,

participated on behalf of the region in the PACTE networking projects prior to SCIENTIFIC CENTRES. Furthermore, the administration of SCIENTIFIC CENTRES was the sole responsibility of CERFACS while the main co-ordinator of the programme at the local level (Cros, P.H) was a manager at the institute (Cros, P.H. 09/10/1998 - interview).

In this context, CERFACS had requested and obtained in 1991 approval for funding from the regional authorities in order to proceed with the development of a computer networking (telematic) programme. The involvement of Midi-Pyrenees in SCIENTIFIC CENTRES was agreed between the region and the institute on the basis of the extra financial resources that would accrue to the local 'telematic' programme from EU funding. The financial commitment from the region to support the independent CERFACS telematic research, however, was to be maintained irrespective of the outcome of the proposal for the local participation in SCIENTIFIC CENTRES. In fact the regional financial contribution increased from the originally defined quota due to successful lobbying of the French national authorities by the region on the basis of the demonstrable significance (EU acceptance) of the local 'telematic' research<sup>34</sup> (Cros, P.H. 09/10/1998 – interview).

Also, the targeting and accommodation of SMEs from Midi-Pyrenees in SCIENTIFIC CENTRES was facilitated by the presence of strong institutional links at the regional level, as one of the main functions of CERFACS is to support technically the local SMEs sub-contractors of 'French Aerospace' (Cros, P.H. 09/10/1998 – interview).

Similarly, in Valencia, the institutionalised collaboration between the regional authorities and the universities/scientific centres of the region played an important part in determining the nature of local participation in the programme. The local targets, for example, were formed prior to the application for SCIENTIFIC CENTRES through a series of meetings between the regional authorities and the relevant research centres. This provided both the

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N. 09/05/1997 – interview).

<sup>34</sup> As P.H Cros, the main co-ordinator of the project at the local level stated, "the money from the regional level was already on the table. What happened is that the European funds doubled the amount we got from the region. The region then - when we got the money from Brussels - increased the contribution which was already planned because politically it was easier for them to lobby the national authorities" (Cros, P.H. 09/10/1998 – interview).

regional administration and the local research institutes with a defined understanding of the aims of the programme, the division of responsibilities to be assumed and the targets to be achieved (Castellet Marti, J.M. 28/09/1998 – interview).

Furthermore, the incorporation of SMEs from Valencia in the programme was organised on the basis of existing local institutional links. The economy of Valencia relies heavily on the presence of export-oriented SMEs that are organised locally on a sectoral basis. The link between SMEs associations and the regional administration is provided by the Valencian Agency for Export Support (IVEX), a public sector corporation controlled by the regional authorities that focuses on business development (information provision, organisation of trade fairs and promotion activities). This institutional infrastructure provided a platform both for the targeting of the companies interested in HPC applications and for their consequent involvement in the project (Perez Antoli, R. 22/09/1998 – interview).

The financial and administrative requirements of Valencia's participation were met by the regional authorities. Since the 1978 national reform the regional level in Spain enjoys a substantial degree of financial and administrative autonomy. As discussed in chapter 4, each of the 17 autonomous regions has its own president, parliament and civil services while regional governments have been allocated by the central authorities the right to spend 30 per cent of the income tax collected locally. There was no involvement from the national level regarding the financial requirements of the project, therefore, and as the Director of the Department of Finances of the Valencia region stressed "this applies to all the EU programmes that the region is involved in" (Marenciano Camara, A. 01/04/1998 – interview).

The opposite example is offered by the participation of Dafni in SCIENTIFIC CENTRES. The city did not have an active involvement in either the financial or the administrative aspect of the project. The financial requirements were met by the local Prefecture (Region of Attiki), while the Community's co-financing contributions to Dafni were sent by the project leader (Midi-Pyrenees) directly to the Region of Attiki (Cros, P.H. 09/10/1998 – interview). The administrative duties in the organisation and implementation of

the project were sub-contracted by the municipality to a private company that was financed by the region (Psaros, N. 09/05/1997 – interview).

Two reasons were provided by the deputy of Dafni at SCIENTIFIC CENTRES for the municipality's restricted participation in the administration of the network.

First, the financial limitations of the local level to meet the high demands of the programme. An example of the financial inadequacy of the municipality that inhibited its capacity to promote the programme comes from the extra expenses that were required at a particular time of the project by the National Technical University of Athens<sup>35</sup>. In order for these costs to be covered and in the absence of assistance from the municipality, the university was forced to eliminate any form of publications relevant to the project, depriving the network of a key medium for the diffusion of know-how (CEC 1995-f, Rapport Financier; CEC, 1995, pp.14-7).

Second, the involvement of Dafni in SCIENTIFIC CENTRES was determined by the technical requirements of the RECITE programme for the participation of local political authorities in EU networks and did not reflect local priorities. The targeting and incorporation of SMEs in the programme, for instance, was conducted by the National Technical University of Athens, and focused on the whole of the Athens Metropolitan region and not strictly on the Dafni area (Psaros, N. 09/05/1997 – interview).

The main responsibility of Dafni in SCIENTIFIC CENTRES was the political representation of the Attiki regional administration in the Pilot Committee of the network. Secondary tasks involved the investigation on behalf of the network of the procedures required for the establishment of a European Economic Interest Grouping. This action aimed to found a legal entity between the network's participants that would enable the continuation of co-operation at the end of the programme period (Psaros, N. 09/05/1997 – interview).

The only locally defined target promoted by the Dafni participation in SCIENTIFIC CENTRES was the creation of a technical unit at the municipal level aiming at utilising the

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<sup>35</sup> These costs occurred due to a conference for the promotion of 'parallel computing' facilities in Attika organised in Athens in March 1993 (CEC 1995-f, Rapport Financier).



'telematic' computer network installed in the town hall. This would address the needs of local students/researchers and SMEs interested in accessing information from the network's research centres (Psaros, N. 09/05/1997 – interview).

Regarding both the way that the financial and technical requirements of the SCIENTIFIC CENTRES were met and the incorporation of local interest groups in the projects there is a strong contrast between the city of Dafni and the rest of the network's partners. The participation of Midi-Pyrenees and Valencia was determined by the high degree of administrative and financial autonomy of the localities as well as by the institutionalised relations between the regional administration and local interest groups and institutions (SMEs, universities, research centres). The absence of similar structures in the case of Dafni (insufficient financial and administrative autonomy, limited relations with local interest groups) minimised the involvement of the city in the network and, consequently, its capacity to utilise the project to serve local interests.

The low degree of financial autonomy of the city and the absence of professionalised bureaucratic structures relates to the limited number of functions and services performed at the local level, an indication of the centralised characteristics of Greek administration. This was highlighted by the prominent role assumed in SCIENTIFIC CENTRES by the Region of Attiki, a governmental tier with solely administrative responsibilities controlled by the Ministry of Internal Affairs. Moreover, in contrast with the other participants, Dafni offers the example of the dominance of the political element in municipal structures, a key trait of the Southern European urban governance profile as discussed in chapters 4 and 5.

#### Differences in local executive structures and the utilisation of the projects

The intention of the SCIENTIFIC CENTRES partners to continue their co-operation after the end of the programme was one of the original targets of the network. The domain of HPC is a fast developing area of information technology and research into HPC requires the deployment of financial and technical resources on a long-term basis. Also, the focus of SCIENTIFIC CENTRES on the 'telematic' project demanded the presence of a certain

number of research institutes for the computer network to be created and their co-operation on a long-term basis in order for it to be utilised. Finally, an on-going commitment was established by the network partners to assist local SMEs interested in HPC technologies (Cros, P.H. 09/10/1998 - interview).

In this context, there was a proposal in 1997 from Midi-Pyrenees on behalf of the SCIENTIFIC CENTRES partners for the continuation of co-operation in the new phase of the RECITE programmes (RECITE II). The project was not approved under RECITE II but was accepted and is part-financed by DG III for the 1998-2001 period. In the new network there were changes in both the content of the programme as well as the participants. As regards the content, the targeted SMEs from the first programming period are now incorporated as partners in the network. The research centres have signed contracts with the relevant SMEs that allow the latter to use the HPC infrastructure while the regional authorities subsidise the costs of the whole operation<sup>36</sup>. Regarding the participants, the Campania region has been replaced by the region of Porto. Also, the Technical University of Athens is represented in the new SCIENTIFIC CENTRES by the region of Attiki (Cros, P.H. 09/10/1998 - interview). This development occurred due to the 1994 regional policy reform in Greece that established a regional political level in the country. A further reason for the departure of Dafni from the network, though, is the dominance of the political element in the local executive structures.

The continuation of co-operation between the SCIENTIFIC CENTRES participants was based on the initial political commitment to the development of the project and, as the interviewees from Valencia and Midi-Pyrenees stressed, there was no further interference from the local political authorities (Castellet Marti, J.M. 28/09/1998 – interview; Cros, P.H. 09/10/1998 – interview). Dafni offers the opposite example.

The change in the political leadership of the municipality in the 1994 local elections altered the political commitment that guaranteed local involvement in the project. As a

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<sup>36</sup> As the co-ordinator of SCIENTIFIC CENTRES in Midi-Pyrenees and manager of CERFACS indicated, “we are now running 17 contracts with SMEs in CERFACS and we are still funded by the region. Not directly this time though. They pay for the companies to use the facilities developed in the first phase of the programme” (Cros, P.H. 09/10/1998 - interview).

consequence, Dafni withdrew from the project at the end of the programme period. Also, the technical unit that was created to run the network was abolished shortly after the new political authorities came into office and the personnel trained to run the unit were discharged. The town hall was still connected with the 'telematic' network during the fieldwork visit in 1997. However, the facility was not in use (Psaros, N. 09/05/1997 – interview).

### **Discussion: Urban governance differences and EU networks**

The north-south dimension of European urban diversity was illustrated in chapters 4 and 5 through a cross-national examination of urban economic, administrative and political characteristics and indicators. The Southern urban model(s), defined as the ones of Portugal, Greece and Spain, lagged behind the rest of the European examples in all indicators of local autonomy and competitiveness. Further distinctive traits of Southern urban governance included the restricted mode of interaction between local authorities and interest groups and the central position of the Mayor in the local administration. These, in turn, were contrasted with the mode(s) of urban restructuring and governance in Northern Europe - expansion of local political action towards entrepreneurial targets and the decisive role exerted by bureaucracies in the local administration - with the prime examples coming from the Nordic countries, the UK and Ireland<sup>37</sup>.

The thesis explored the relevance of the north-south divide of urban Europe to two RECITE programmes. In summarising the findings, four factors in the governance profile of the Southern European localities were identified as impairing their capacity to engage in and benefit from the programme: a) centralised governmental system and limited access to information; b) comparatively limited financial capacity; c) the dominance of the political element in the local administration; and, d) underdeveloped institutional interaction with local non-state actors.

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<sup>37</sup> Ireland is included in this category only as an example of a professionalised local administration, due to the system of the (non-political) autonomous manager (see Blair, P. 1991, p.52).

a) The capacity of cities to access information about EU programmes

The presence of centralised structures of information provision in Spain, Greece and Ireland were directly relevant to the limited ability of Bayes/Bergueda, Dafni and Cork to promote local priorities in the respective networks.

The importance of access to information as a factor affecting local capacity to engage in the programmes was recognised by the interviewees at the EU level. Three Community responses were stressed as indications of attempts by the Commission to address the limited urban access to information on EU programmes due to centralised national structures of information provision.

- a) The 'Directoria' conference organised by the Commission on an annual basis aiming to provide information about Community programmes directly to local level across the EU.
- b) The use of new technologies, and that information about the 'call for proposals' for new EU urban programmes is advanced through the internet in all EU languages.
- c) The opportunities that the Community's structures at the national level (offices, conferences) offer for the diffusion of information about EU urban and regional programmes (Drew, K. 24/07/1997 – interview; Skarvelis, E. 24/07/1997 – interview).

Yet, the requirement of improved targeting of the Commission's networking policies at cities was also noted. The 'pilot actions' character of the programmes was stressed as the main reason behind the shortcomings of the current targeting approach. 'Pilot actions' represent a limited number of programmes in the Community's Structural Policies, and the introduction of the urban dimension in this framework is a novel development that started only in 1989 (Skarvelis, E. 24/07/1997 – interview).

b) The financial capacity of cities to devote resources to the projects

The importance of local financial autonomy enabling the advancement of local priorities and interests through the programmes (cases of Warrington and Midi-Pyrenees) or the absence of sufficient local resources and the negative impact of dependency on central support (city of Dafni) was illustrated through the fieldwork at the local level. The degree of

local financial capacity corresponds to three more factors conditioning the relationship between the European cities and the EU urban programmes.

The first is relevant to the cost of information provision about the EU urban programmes. As pointed out by the RECITE Office interviewees, the high participation fee for the Commission's information workshops - and, in particular, the participation fee for the Directoria conferences - attracted criticisms from various European urban organisations and the European Parliament. Due to the dissimilar local capacity across Europe to meet the costs required, high enrolment fees for information workshops generate a process of exclusion from the very early stages of European programmes<sup>38</sup> (Killeen, S. 07/03/1997 – interview; Skarvelis, E. 24/07/1997 – interview).

Second, the costs incurred at the local level during the bidding process for participation in EU programmes. Due to both intense competition between cities for involvement in the programmes<sup>39</sup>, and the upgraded technical requirements of the Commission regarding application procedures, the preparation of a competent application necessitates 4-6 months and a significant amount of financial investment on behalf of the applicant city. Combined with the risk of subsequent rejection of the application by the Commission, such costs act as a deterrent to the involvement in the programmes of the less favoured localities (Tsaousis, K. 24/04/1997 – interview; Killeen, S. 07/03/1997 - interview).

Third, the higher level of co-financing required by the new urban programmes. The policy orientation at the EU level towards the concentration of funds on a smaller number of higher budget programmes increases the co-financing requirement for prospective urban participants. This creates a further deterrent to the involvement of the less favoured cities

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<sup>38</sup> As Killeen, S. indicated “the high participation fee for these kind of events means that they can be quite selective. Those who can afford to participate are usually the better off localities or else, localities which are less favoured but have a very structured approach to this type of programmes and have a very good chance of getting involved, ... whereas leaving out many areas from Greece and Portugal – even the Irish participation was less than it would have been expected for the last ‘Directoria’ conference” (Killeen, S. 07/03/1997 – interview).

<sup>39</sup> For the 1997-99 operational period of the Urban Pilot projects, for instance, the Commission received 503 applications for participation and approved only 26 projects for co-financing. Similarly, for the 1998-2001 phase of the RECITE II projects, the RECITE Office received more than 500 applications and approved 56 projects (Killeen, S. 07/03/1997 – interview; Skarvelis, E. 24/07/1997 – interview).

because of their comparatively disadvantaged position in finding the matching capital demanded for participation (Christofidou, T. 06/03/1997 – interview).

c) The distribution of executive power at the local level

Through the examination of the EUROSUNET and SCIENTIFIC CENTRES networks, a particular correlation was detected between the presence of a bureaucratic mechanism as the basis of the local administration (Warrington, Cork, Midi-Pyrenees and Valencia) and the uninhibited promotion of local targets through the programme. This, in turn, was contrasted with the cases of Bayes/Bergueda and Dafni where the dominance of the political element in the local administration was an indication of both the limited number of functions (services) performed at the local level, and - as a consequence of this – of the local incapacity to fully participate in the network proceedings.

The prevalence of the political element in the executive structures of local authorities from Spain, Greece and Portugal, was discussed in chapters 4 and 5 as a particular trait of the Southern urban systems. The examination of Valencia Generalitat (the regional authority) in SCIENTIFIC CENTRES, however, revealed the picture of an effective, professionalised local administration with bureaucratic structures capable of representing local interests.

The competence of the regional administration in Valencia was compared with the absence of urban-level representatives from the region in any of the 1992-97 RECITE programmes. The findings point to the dominance of the regional tier in Valencia regarding the administration of the local affairs at the expense of the role and distinct interests of the urban level. A similarly unequal relationship between the regional and the urban level was also detected in the case of Bayes/Bergueda in EUROSUNET. In this example, the Catalan regional authorities nominated Bayes/Bergueda to participate in the programme, a result of their position as information controllers in the region and the prime representatives of the interests of the local private sector. In that sense, the direct participation of the Catalan regional level in the network could have represented and promoted more adequately - in

organisational and financial terms - the interests of the local entrepreneurial community. As discussed, though, such an involvement was objected by DG XVI.

The dominance of the regional tier in both Valencia and Catalonia was addressed by the interviewees at the local level in Spain. What was stressed is that the radical restructuring in 1978 of the Spanish governmental system promoted the devolution of fiscal and administrative power to the regional level for political reasons - claims for autonomy from the Catalan, Basque and Valencia regions (Perez Antoli, R. 22/09/1998 – interview; Farguell, J.T. 31/03/1998 - interview).

This regionalisation process is not approached here as a necessary cause of local level ineffectiveness as it may strengthen the resources available to individual cities. The ‘General Catalan Programme’ is an example of this. The scheme is organised by the regional level and supports local projects as part of a co-ordinated development strategy for the region. For the implementation of the local part of the programme there is a 50 per cent co-financing agreement between the local authority involved and the Catalan government (Farguell, J.T. 31/03/1998 – interview). Yet, the devolution of power in Spain did not address the urban level. Since the 1978 reform, the Spanish cities have developed dependant relationships (constitutionally, financially, technically) with both the national and the regional level<sup>40</sup>.

#### d) Local institutional interaction

The (high) levels of interaction amongst local institutions has been stressed by the ‘flexible specialisation’, ‘territorial competition’ and ‘local economic initiatives’ literatures as a key factor for the advancement of endogenous development paths<sup>41</sup> (Amin, A. and Thrift, N. 1994; Sabel, C.F. 1992 and 1994; Cheshire, P.C. and Gordon, I.R. 1995; Quevit, M. 1986 in Vasquez-Barquero, A. 1992; Garofoli, G. 1992). The relevance of ‘governance’ structures in regulating the performance of the case-study cities in EU networks was also illustrated in the

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<sup>40</sup> Amongst the competencies of the regional authorities in Spain, for instance, is the regulation of the legal status of the respective local authorities, as well as the launch of municipal boundary reforms (see Harloff, EM. 1987, pp.124-7).

<sup>41</sup> Incorporating trade associations, business service organisations, marketing boards as well as trade unions, development agencies and the local authorities.

fieldwork through the contrasting examples of Warrington, Midi-Pyrenees and Valencia on the one hand, and Cork, Dafni and Bayes/Bergueda, on the other. In the first category, local targets were advanced as a consequence of the involvement of local interest groups in the programme. In the latter cases, the absence of local institutional interaction hindered the attempts of the participating cities to benefit from their involvement in the networks.

The correlation detected between diffused 'governance' structures and the local capacity to promote development priorities through EU networks relates to the north-south dimension of European urban diversity. As discussed in chapters 4 and 5, centralised national administrative frameworks display low levels of interaction between local authorities and interest groups. In these cases, representation of the interests of the private and voluntary sectors is more successful expressed at the national level. However, a distinction has to be drawn between the Irish example, and the cases of Spain, Greece and Portugal.

In the case of Ireland, the dominance of small-scale industries since the 1950s and the absence of large-scale urban agglomerations has inhibited the development of regulatory practices at the local level. A number of state attempts to incorporate trade unions and interest groups into consensual bodies<sup>42</sup> during the 1959-1973 period points to the advancement of industrial bargaining processes and corporatist policies at the national level (Ross, M. 1988, pp.81-7). The efficiency with which a national organisation, the Irish Trade Board, promoted the interests of the Cork entrepreneurial community in EUROSUNET is an example of this.

Regarding the case-study cities from Spain (Bayes/Bergueda) and Greece (city of Dafni), the absence of interaction between the local authorities and interest groups corresponds to particular structural characteristics of the Southern European local administration. Together with the restricted financial base and the limited range of functions performed at the local level, the underdeveloped local institutional infrastructure constitutes a distinct trait of the ideal-typical urban governance profile of Southern Europe. This in turn is

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<sup>42</sup> These include primarily the Irish National Productivity Committee (1959), the Committee on Industrial Organisation (1961), the National Industrial and Economic Council (1961), and the National Employer Labour Conference (1962) which was to become central to industrial bargaining in the 1970s (Ross, M. 1988, pp.82-7).



related both to the limited role of the local level in 'peripheral Fordism', which influences the mode of urban restructuring in the respective countries, and to the current centralised characteristics of the national governmental systems, which further inhibit the development of participatory procedures at the local level.

The strong networking relationships between the Valencia regional administration and local interest groups does not contradicting this argument. As discussed earlier, the regional level has been entrusted since the 1978 reform with a substantial degree of autonomy that enabled the representation of local interest groups in regional policy-making platforms.

The north-south divergence of urban governance in Europe is further examined in chapter 8, in the area of the Community's URBAN Initiative. The research on URBAN expands its scope to explore - amongst other examples - the governance responses of a Portuguese city to an EU urban initiative. The empirical material of chapters 7 and 8, in turn, will be the basis for an analysis of the effectiveness of the EU urban policy shift in the framework of the north-south divide of urban Europe, conducted in the concluding chapter of the thesis.

## **Chapter Eight: Community Initiatives-URBAN**

### **Introduction**

The second case-study chapter focuses on the EU policy area of Community Initiatives. As indicated in chapter 6, the introduction of the Community Initiatives in 1988 aimed at enabling the Commission to activate a particular proportion<sup>1</sup> of the Funds' resources for the development of policies that the Commission regarded as "of special interest" in the promotion of the cohesion target (CEC, 1991, pp.10-2; CEC, 1993-b, p.27). The urban dimension of the Community Initiatives was expressed indirectly in the first programming period (1989-1993), through the themes of particular programmes (TELEMATIQUE, PRISMA, INTERREG, STRIDE) that focused on SMEs activities, as well as on the promotion of socio-economic measures for areas affected by industrial decline (CEC, 1991, pp.21-32).

The introduction of the URBAN Initiative in the 1993 reform of the Structural Funds renders this programme relevant to this thesis for three main reasons.

First, due to the urban thematic and spatial focus of the Initiative. Also, because the local authorities (in co-operation with the national level) are the primarily responsible body for the organisation and implementation of URBAN<sup>2</sup> (CEC, 1994-a, pp.96-7).

Second, because the Community Initiatives, apart from their significant role in the overall framework of the European spatial policies, they also function as the introductory stage of novel policy themes into the mainstream of structural policies (De Rynk, S. 06/03/1997 - interview). In fact, the urban dimension of spatial policies was significantly increased in the last reform (1999) of the Structural Funds, a policy shift based on the experience of URBAN (see CEC, 1997-h, p.2; CEC, 1988-c, p.6; CEC, 1999-c). An examination of this policy area, therefore, illustrates by means of example the impact and reasons for incorporating the heterogeneity of European urban governance into the Community's urban policy framework.

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<sup>1</sup> A total of 10 per cent for the 1988-93 period (CEC, 1993-b, p.27).

<sup>2</sup> Articles 3, 9 and 17 of URBAN Regulations - CEC, (1994-a), pp.96-7.

Third, because of the interaction - required by the URBAN Regulations - between the local and national administrative level for the promotion of the URBAN targets (Article 99 - CEC, 1994-a, p.99). Exploring this area of EU spatial policies, in other words, provides information on the diverse central-local relations across Europe and the impact of this on the local urban governance capacity to engage in and benefit from URBAN.

The examination begins with an review of the targets, operational structure and thematic focus of the URBAN Initiative. This presentation provides a framework for a subsequent comparative analysis of the objectives of URBAN and the impact of the north-south differences of urban Europe on the effectiveness of its policies.

The second part of the chapter examines particular URBAN programmes selected for closer study, namely the Amsterdam (N), Birmingham (UK), Cork (IRL), Malaga (E), Porto (P) and Piraeus (GR) projects. It involves a discussion of the research methodology that illustrates the rationale behind the selection of the case-studies, the formation of the interview schedule and the targeting of the interviewees at the local and EU levels.

The case-study programmes are approached in two stages:

- a) The first involves a presentation of the objectives, operational structure and courses of activities of each individual programme. Emphasis is placed on the procedures that determined local participation in the Initiative and the mode of accommodation of the programme in the local and national administrative structures. Effort was made to keep information of a technical nature (budget arrangements and project details) at the minimum level necessary. Such programme details are presented in Appendix 5.
- b) The second stage consists of a direct comparison of the different governance responses of the case-study cities to URBAN, and an analysis of the impact of this on the effectiveness of the local URBAN implementation.

The concluding part of the chapter examines the research findings in the framework of the north-south dissimilarity of urban Europe. Moreover, it questions the extent that the European urban diversity is effectively addressed in this EU urban programme.

### **8.1 The Operational structure and thematic focus of the URBAN Initiative**

According to the 1993 Regulations of the Structural Funds, the URBAN Initiative is administered jointly by the Commission and the member states (Article 20 - CEC, 1994-a, p.99). It is the responsibility of the member states to formulate and submit to the Commission a list of proposed projects for intervention in “a limited number of deprived urban areas within cities and urban agglomerations with a population of more than 100,000” (Article 9 - CEC, 1994-a, p.97). The proposals should provide “an appreciation of the situation, indicating the objective to be attained, as well as a timetable, criteria and procedures for implementation, monitoring and assessment” (Article 20 - CEC, 1994-a, p.99). The Commission assesses the results of the programmes submitted “in partnership with the member states”, while the measures promoted under URBAN complement those of the Community Support Frameworks and take the form of Operational Programmes (Article 20 - CEC, 1994-a, p.99; CEC, 1993-b, p.27; Article 2 - CEC, 1994-a, p.96).

Priority is given in the regulations to ‘integrated development programmes’, where an ‘integrated’ approach is defined as one that “addresses in a comprehensive way the economic, social and environmental problems of a deprived urban area” (Article 14 - CEC, 1994-a, p.97).

Under this framework, in the 1994-99 period, the URBAN Initiative supported 118 projects that focused on one or more of the following themes:

- a) the launch of new economic activities (creation of business centres, technology transfer, support for commerce and co-operatives, and services for SMEs),
- b) vocational training (support for job-intensive projects at the local level, training for new technologies, work-experience schemes for long-term unemployed, customised training schemes and language training oriented in particular to the specific needs of minorities),
- c) improvement of social, health and security provisions,
- d) renovation of infrastructures and environmental improvements (reclamation of derelict sites and contaminated land, action to facilitate the mobility of the local population, renovation of buildings to accommodate new social and economic activities), (CEC, 1994-a, pp.97-8 – Article 17 of the URBAN Initiative Regulations; CEC, 1998-d).

Due to the absence of provisions for the launch of European urban policy in the Treaties, the participation of local authorities in the programmes is regulated under two Articles of the URBAN Operational Framework. Article 17 states that “in accordance with the principle of subsidiarity, the measures to be included in an integrated programme should be drawn up by the local partnership” (CEC, 1994-a, p.97). Article 20 further specifies the role of the local level by indicating that, “local and other authorities and the social partners should be involved in the preparation and implementation of operational programmes in a manner appropriate to each member state” (CEC, 1994-a, pp.97-9).

The provisions of these two Articles indicate the key role of the national governmental system in the organisation and implementation of the local URBAN programmes. The relationship between the degree of centralisation of the national administrative framework and the local governance capacity to utilise this particular EU Initiative was explored in the case-study programmes.

## **8.2 Research methodology**

### **8.2.1 The rationale behind the selection of case-studies**

The primary reason for the selection of Malaga (E), Porto (P) and Piraeus (Gr), on the one hand, and Amsterdam (NL) and Birmingham (UK) on the other, is that the cities constitute examples of the north-south European urban diversity (see Figure 8.1).

Regarding Southern Europe, the cities of Porto (P), Malaga (E) and Piraeus (Gr) provide examples of the conditions regulating local URBAN participation in Portugal, Spain and Greece. All these cities share similar problems of inadequate basic infrastructure alongside social marginalisation, de-skilled labour force and inward-looking (as opposed to EU-oriented) SMEs, issues that the URBAN programme aims to address (CEC, 1995-i, file 4, 21, 26). Moreover, all three cities are under Objective 1 status for the Structural Funds, indicating their comparatively low GDP rates (less than 75 per cent of the EU average) and high levels of unemployment. There are also more reasons for the selection of these particular cities as examples of Southern urban governance responses to URBAN.

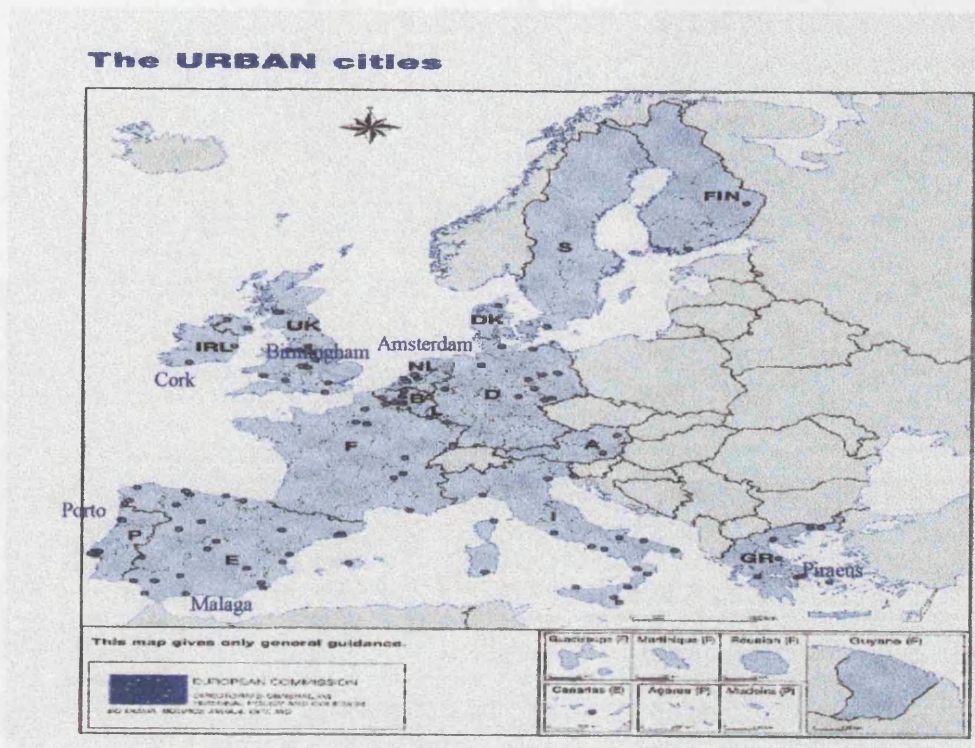


Figure 8.1: The URBAN cities (CEC, 1998-d).

Porto and Piraeus carry a prominent weight in their national urban hierarchy as the second largest cities in Portugal and Greece respectively. The fact that these cities are not the national capitals, however, points to a framework of local administration comparatively independent from interventions by the national authorities. As discussed in chapters 4 and 5, due to the centralised character of the governmental systems of Portugal and Greece, particular aspects of local affairs (SMEs activities, transportation) of the capital cities of Lisbon and Athens are addressed by the national authorities because of the financial and technical inadequacy of local authorities to co-ordinate the administration of the metropolitan area.

The case-study of Malaga is also of particular interest because it is the second biggest city in Andalucia, the Spanish region which - together with the region of Murcia - displayed the highest number of Operational Programmes under the Structural Funds in Spain for the 1994-99 period, indicating its lagging socio-economic indicators (CEC, 1996-a, p.48).

Regarding Northern Europe, the case-studies chosen for closer examination include Amsterdam (NL) and Birmingham (UK), with the local URBAN programmes promoting the economic and social revitalisation of blighted parts of these cities. A key factor in the

selection of these particular programmes is the rich record of involvement of the respective cities in other EU urban projects under Article 10 of the ERDF. Thus, for the 1989-95 period, Amsterdam participated in four RECITE networks (POLIS, EUROPEAN URBAN OBSERVATORY, REBUILT, and EUROCITIES) and Birmingham in three (POLIS, EUROCITIES, EUROPEAN URBAN OBSERVATORY), (CEC, 1996-b, pp.19 and 33 and 141 and 164). Furthermore, both Birmingham and Amsterdam have established offices in Brussels since the late 1980s. The two cities, therefore, are unique examples of the plurality of European urban governance responses to EU programmes. The fieldwork explored the reasons that led these local authorities to enhance their representation close to the EU headquarters, while the findings are examined in relation to the responses of the Southern case-study cities to the EU urban initiatives.

The examination of the URBAN programme of Cork does not directly correspond to the north-south divergence of urban Europe. In a manner similar to the rationale behind the selection of an Irish city as a RECITE case-study, the interest in approaching the programme of Cork-URBAN lies in the distinct context of urban administration in Ireland. The Irish urban governance example, as noted in chapter 4, displays high degrees of fiscal dependence on the national level as well as the presence of a professionalised local bureaucratic mechanism. The case-study of URBAN in Cork, therefore, the second largest city in Ireland, illustrates two areas. First, regarding the impact of a centralised system of national administration on the capacity of a city to engage in and benefit from URBAN. This generates a comparative examination of the contrasting examples of Cork and the Northern European case-studies. Second, regarding the impact of a professionalised local administration on the capacity of the city to utilise the programme, generating a comparative examination of the contrasting examples of Cork and the Southern European case-studies of Malaga, Porto and Piraeus.

Central for singling out Cork as the URBAN case-study from Ireland is that the regulations of the Initiative render only two Irish cities - Dublin and Cork - eligible for

participation<sup>3</sup>. In this case, Cork constitutes a more representative example of the Irish local profile, due to the higher degree of central involvement in the Dublin administration (O'Halloran, M. 14/11/1997 - interview).

The shortcomings in the methodology regarding the selections of case-studies have to be recognised. It is easier to isolate a number of cities and explain why they are adequate case-studies than to justify why they were selected out of a number of other possible examples of the northern and southern URBAN participants. Also, Birmingham and Amsterdam, with their rich record of involvement in EU programmes indicate a bias on the choice of Northern case-studies; a selection that facilitates comparison between well experienced Northern cities and less experienced Southern ones. This however, is one of the key aims of the examination. To explore contrasting examples of urban participation in EU programmes and elucidate the importance of diverse urban governance structures. Thus, while the methodological limitations are recognised, the selection of case-study cities is justified on the basis of their differences.

### **8.2.2 Targeting the interviewees - formation of interview schedules**

As stated in the Community's recommendations for the management of EU projects, the local administration of URBAN is the responsibility of one person delegated by the local authorities as the co-ordinator of the Operational Programme (CEC, 1995, p.9; De Rynk, S. 06/03/1997 - interview). This local manager represents the city in the national committees of URBAN and - depending on the national provisions for the administration the Initiative - at the EU level URBAN committees.

The fieldwork on the URBAN Initiative – undertaken in 1997 and 1998 – consisted of visits to the cities of Malaga (E), Porto (P), Piraeus (GR), Amsterdam (NL), Birmingham (UK) and Cork (IRL) and interviews with the principal policy-makers/co-ordinators at the local level responsible for the running of URBAN.

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<sup>3</sup> The national capital (Dublin), and Cork, in this context, are the only cities in Ireland with population of more than 100,000 (CEC, 1994-a, p.97 – Article 9).



Concerning the aims of the research, the first objective was to obtain information from official reports on the targets, proceedings and outcome of the particular URBAN projects as well as quantified data on the sources of co-financing and expense allocation. More importantly, though, the research aimed to clarify particular aspects of the north-south dimension of the European urban diversity regarding local governance responses to URBAN. These included the degree of centralisation of the national administrative framework, local financial and political autonomy, the administrative and technical capacity of the local state, and the role of interest groups in the programme. Such detailed information is not available in EU reports and could only be generated through visits at the local level and discussions with relevant informants.

Similar to the research methodology on RECITE, interviews were semi-structured, based on a schedule of key questions. This allowed flexibility during conversation and the adaptation of the interview to the specificity of the local conditions. Furthermore, while as a research method it assisted the identification of the diverse governance response to URBAN, it facilitated subsequent comparability between the URBAN programmes explored.

The main focuses of the interviews at the local level - with possible follow-up questions in brackets - explored:

- a) The manner that information about the programme was obtained. [Was the EU or the national authorities the information source?].
- b) The mode of the local involvement in URBAN. [Was the city nominated by the national authorities or was there a bidding process between local authorities at the national level?].
- c) The relationship between the local and the national level regarding the financial administration of URBAN. [Is there a co-financing arrangement, grant, or any other fiscal transfer from the central to the local level regarding URBAN?].
- d) The extent that local resources were used for the financing of URBAN.
- e) The mode of local revenue raising. [Is there a high degree of financial dependence on the national level?].

- f) The extent of interference from the national administration in the formation of the local URBAN agenda and targets.
- g) The presence of particular arrangements regarding co-ordination between the local URBAN programme and the CSF targets due to the Objective 1 status of the country (for the cities of Cork, Malaga, Porto and Piraeus).
- h) Whether the priorities promoted through URBAN are part of a wider redevelopment scheme. [What was the rationale behind the formation of the URBAN Action Plan?].
- i) The role that European programmes play in the local development plan.  
[The EU urban programmes are a new development. Do they change the relationship between the local and the national level, or do they offer a thoroughly new field of opportunities for the local level?].
- j) The relationship between the local level and the EU regarding the administration of the URBAN programme. [Is there a need to communicate directly with DG XVI, or is this the responsibility of the national administrative level?].
- k) The particular participation and contribution of the local private and voluntary sector (local SMEs associations, Chamber of Commerce, as well as community and educational bodies) to the preparatory stage of the proposal for URBAN.
- l) The extent to which local interest groups (voluntary, commercial and educational bodies) have access to local policy-making procedures. [To what extent is their participation institutionalised?].

### **8.2.3 The EU dimension**

In order to acquire an overall picture of the organisation and aims of the Initiative, as well as to explore the importance attached to the north-south diversity of urban Europe at the EU policy-making level, the Directorate General for Regional Policies (DG XVI) was visited. In this context and amongst other relevant EU policy-makers (see Appendix 1), the Chief Executive of Unit A1, the unit responsible for the launch and co-ordination of URBAN at the

EU level, was interviewed<sup>4</sup>. The assistance of the Chief Executive of Unit A1 (the initial contact of the fieldwork on URBAN) was key for the selection of appropriate case-study programmes for an in-depth examination of the thesis question, and also for suggesting further possible contacts at the EU and local level, facilitating the recruitment of appropriate interviewees.

The semi-structured interview schedule used at the EU level aimed to explore the way DG XVI viewed and accommodated the north-south dissimilarity of urban Europe in the programme's structures, as well as to identify issues relevant to this that arose during the URBAN operations.

Therefore, the main questions structuring the interviews regarded:

- a) The aims of URBAN and the rationale behind its introduction.
- b) The administrative and operational structure of the URBAN Initiative.
- c) The procedures for the launch of the 'call for proposals', and the role reserved for the national administration at that stage.
- d) The formal criteria for the selection of URBAN programmes. [To what extent are the programmes selected by the national or EU authorities?].
- e) The degree to which European urban diversity is recognised and addressed through the programme's structures.
- f) The extent to which the north-south dimension of European urban diversity is recognised and addressed through URBAN.
- g) The experience of Division A1 of DG XVI on the impact of the European urban diversity on the running of the programmes.
- h) The identification of particular URBAN projects that constitute good examples for further study of the impact of the north-south differences in urban governance on the capacity of cities to benefit from the programme.

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<sup>4</sup> Dr. De Rynk S.

A full list of the persons interviewed for the URBAN Initiative is provided in Appendix 1.

The next part of the chapter examines the URBAN programmes of the selected cities.

### **8.3 The case-study URBAN programmes**

#### **8.3.1 Amsterdam URBAN**

The city of Amsterdam has one mayor and one council for the whole metropolitan area. Since the 1990 administrative reform, however, the city is divided into 16 districts, each with a directly elected local council. Authority within the city's administrative structures rests primarily with the mayor and the metropolitan Amsterdam City Council. However, the 16 local district councils enjoy a wide range of powers<sup>5</sup> (Southeast City District, 1994, p.19; Storteboom, J. 06/07/1998 – interview). The URBAN programme of Amsterdam is situated in the 'Southeast' district of the city, focusing on the residential area of Bijlmermeer. The district - of particular interest regarding post-war urban planning endeavours in Amsterdam - currently faces intense socio-economic problems (see Appendix 5-A).

Apart from some blueprint attempts for intervention in Bijlmermeer during the 1980s<sup>6</sup>, the first official response to the problems of the area occurred in 1992 with the creation of the 'Bijlmermeer Renewal Project Bureau' (BRPB). The BRPB constitutes a consortium of the City of Amsterdam, the Southeast District Council and the Amsterdam Housing Corporation and has developed a comprehensive plan for the area for the 1992-2007 period, concentrating on three major fields of intervention, namely, spatial/physical, management and socio-economic renewal (see Appendix 5-A), (Storteboom, J. 06/07/1998 – interview; CEC, 1995-i, URBAN file No 34; Southeast City District, 1994).

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<sup>5</sup> With the exception of the fire service, the police and public transport which are administered by the central municipal authorities of Amsterdam, the district councils decide on all issues relating to their areas. As J. Storteboom, the principle co-ordinator of URBAN in Amsterdam stressed, "every four years there are local elections on both the city and the district councils. In this context, the real power rests with the mayor of Amsterdam and the Amsterdam council. However, administrative responsibilities that can be assumed by the district councils have been decentralised to that level" (Storteboom, J. 06/07/1998 – interview).

<sup>6</sup> Focusing primarily on the reduction of housing rents and the refurbishment of a limited number of blocks of flats (Southeast City District 1994).

Information about the URBAN Initiative arrived in Amsterdam through the offices the City Council has established in Brussels<sup>7</sup>. At that stage, (1994) the 'spatial/physical' and 'management' categories of intervention in the area had already started and funds for their implementation had been secured. The Bijlmermeer Renewal Project Bureau decided to bid for participation in URBAN in order to promote the 'socio-economic renewal' targets for intervention in the district. The District Council was delegated by the City Council for the formation of a 5-year socio-economic programme for Bijlmermeer that would function as a bid for participation in URBAN. The proposal was forwarded to the Community and the national and local authorities were notified by DG XVI of the local participation in URBAN in September 1995 (CEC, 1995-i; Storteboom, J. 06/07/1998 - interview).

In a manner that corresponded to the requirements of the Commission for URBAN, the District Council began the procedures for establishing the structure of the local URBAN programme. The Amsterdam URBAN for the 1994-99 period consisted of 3 main bodies:

A Monitoring Committee, called 'Socio-economic Renewal Bureau'. This was part of the broader administrative framework for the regeneration of the district, and it was composed of one of the three divisions - the others were the 'spatial/physical' and 'management' offices - of the Bijlmermeer Renewal Project Bureau, guaranteeing the integration of URBAN in the local intervention strategy.

A Steering Committee. This was the primary consulting body of the programme and included representatives of the national authorities (Ministry of Interior Affairs), the City of Amsterdam, the City District of Bijlmermeer, the business community (Chamber of Commerce), the police, the local educational community and local ethnic and religious groups. The Steering Committee met every six weeks and constituted a platform for the representation

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<sup>7</sup> The offices that the city of Amsterdam has established in Brussels constitute part of a wider administrative structure developed by the Metropolitan Amsterdam Council under the name of 'Bureau Euro-Link'. This co-ordinates all the activities between the EU and the Amsterdam City Council. One of the primary functions of the 'Bureau Euro-Link' is the collection of information about EU urban programmes. Through the Amsterdam offices in Brussels, information is forwarded to the relevant departments in the city. Consequently, the 'Bureau Euro-Link' offices in Amsterdam, assess and categorise the information received and forward it to the relevant local districts and organisations (Storteboom, J. 06/07/1998 - interview).

of various local interests through URBAN, as well as the link between the local community and the programme administrators.

The Project Groups created for the implementation of the Initiative. The major targets were:

a) improvements of the living and working environment; b) creation of new employment and stimulation of the local entrepreneurial climate; c) development of new school facilities and educational programmes; and, d) promotion of the socio-political engagement of residents in local affairs. Under these targets, eight projects were selected by the relevant committees for implementation under URBAN by July 1998 - the time of the fieldwork in the city (see Appendix 5-A), (Southeast City District, 1997-a; Storteboom, J. 06/07/1998 - interview).

Regarding the financial arrangements for URBAN, the European Union contributed 24 per cent to the overall estimated costs<sup>8</sup> and the Netherlands government 26 per cent. The high co-financing requirement from the local level (50 per cent of the total URBAN expenditure) was covered primarily by the City and District administrations, while (depending on the projects) substantial co-financing rates<sup>9</sup> had been covered by the private and local voluntary sector (CEC, 1995-i, URBAN File No 34).

### **8.3.2 Birmingham URBAN**

The URBAN programme in Birmingham focused on the community of Sparkbrook, situated one mile south of the city-centre<sup>10</sup>. The reasons behind the formation of the URBAN programme in Sparkbrook are the socio-economic problems of the area (see Appendix 5-B).

The Sparkbrook-Birmingham URBAN was part of a wider 'Area Regeneration Initiative' (ARI)<sup>11</sup>, aiming to address comprehensively the problems of deprivation of particular parts of the city. Intervention in the Birmingham ARI area is financed primarily through the national Single Regeneration Budget (SRB) Challenge Fund. An unsuccessful bid

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<sup>8</sup> Of which 79 per cent comes from the ERDF and 21 per cent from the ESF (CEC, 1995-i).

<sup>9</sup> Reaching 34 per cent of the costs in some projects (Fort Kraaiennest), (Southeast City District, 1997).

<sup>10</sup> A notable characteristic of Sparkbrook is the composition of its population: 65 per cent of the residents (26,000 people) are first and second generation ethnic minorities of predominantly Indian, Pakistani, Bangladeshi and African Caribbean origin (Birmingham City Council, 1994, pp.9 and 48).

by Sparkbrook for SRB assistance in 1994 triggered the local application for URBAN. Central to this development were two issues. First, the role of the City Council's European unit. Second, the local partnership structures between business, community and public sector organisations already in place for the purposes of the local 'Area Regeneration Initiative' (Hubbard, S. 19/01/1998 – interview; Birmingham City Council, 1994, pp. and 18-9).

The city of Birmingham has developed a particular division in its local administrative structures called the 'European and International Team'. With offices in Brussels since 1984<sup>12</sup>, the European Branch of this division regulates all the relationships between the city and the Commission. It was through this division of the city's administration that information about URBAN was identified and the local bid for participation negotiated with the respective national and EU authorities (Blumfield, J. 13/02/1998 – interview; Hubbard, S. 19/01/1998 – interview). Regarding the formation of the proposal, this was negotiated at the local level through the partnership arrangements of the ARI programme.

A central aspect of the Birmingham 'Area Regeneration Initiative' is the establishment of institutionalised relations for the administration of the programme between the City Council and other local statutory bodies<sup>13</sup>. These structures also provide a platform for the representation of local interest groups in the ARI programme (Hubbard, S. 19/01/1998 – interview; Birmingham City Council, 1994, pp.4-5).

The proposal for URBAN was based on the existing partnership arrangements of the area, and emphasis was placed by the City Council on the enhanced representation of interest groups from Sparkbrook<sup>14</sup> in the URBAN committees. In fact, the initial proposal for the

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<sup>11</sup> The two other communities forming the local ARI are Sparkhill and Tyseley. The ARI is one of four local initiatives of the Birmingham 10 year urban policy plan that started in 1995 under the national 'City Pride' programme (see Oatley, N. 1998-a, p.12; Birmingham City Council, 1994, pp.18-9).

<sup>12</sup> The success of the Birmingham European Office in Brussels in attracting EU funds to the city resulted in the extension of its functions. Since 1996 the Office represents the interests of whole of the West Midlands region in Brussels and is financed by all the local authorities in the region (Blumfield, J. 13/02/1998 – interview).

<sup>13</sup> Namely, the West Midlands Police, the Birmingham Health Authority, the West Midlands Probation Service, the Training and Enterprise Council, trade unions and local colleges (Birmingham City Council, 1994, pp.4-5).

<sup>14</sup> Interest groups in this category include community, religious and business groups of the area, the most influential being the 'Balsall Heath Forum', the 'Islamic Resource Centre', the 'Balsall Heath

URBAN action plan was drawn up by Sparkbrook interest groups and presented publicly through the Birmingham Council for Volunteer Services (Hubbard, S. 19/01/1998 - interview).

The structure of Birmingham URBAN consisted of two administrative bodies:

a) The URBAN Partnership Group (UPG). This represented all of the aforementioned statutory, private and voluntary sector organisations of the area and had a wide range of responsibilities including the approval and monitoring of the all projects and the writing and revision of the overall URBAN action plan guiding the programme.

b) The Sparkbrook URBAN Management Committee. This was chaired by a representative from the Government Office for the West Midlands and had as its main responsibilities communication with the European Commission and the monitoring of the overall implementation of the programme<sup>15</sup> (Birmingham City Council, 1997, p.10; Hubbard, S. 19/01/1998 – interview).

Under this administrative framework, three project categories were promoted: i) Business Development and Diversification, ii) Training, and iii) Community Development and Local Enterprise. The EU contributed 38 per cent to the overall costs<sup>16</sup>, while the remainder was provided by national and local private bodies (Birmingham City Council 1997). A full list of the Birmingham URBAN projects can be seen in Appendix 5-B.

### **8.3.3 The Cork URBAN programme**

The programme of Cork URBAN focused on the Northside community of the city, an area with 55,000 inhabitants which faces distinct problems of deprivation and social exclusion<sup>17</sup>. The URBAN Initiative for Northside was set within a long-term framework for

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Residents Action Group', the 'Birmingham Asian Business Association', the 'Southside Enterprise' and the 'Balsall Heath Business Club' (Birmingham City Council, 1994, p.4).

<sup>15</sup> A further responsibility of the URBAN management Committee is the approval of all capital projects exceeding 250,000 pounds (Birmingham City Council, 1997, p.10).

<sup>16</sup>With the ERDF covering 80 and the ESF 20 per cent of the budget (Birmingham City Council 1997).

<sup>17</sup> See Appendix 5-C for details.



intervention in the area that started with the launch by the City Council of the Cork Northside Study in 1990<sup>18</sup> (Cork City Council, 1997, p.7).

Information about URBAN was sent to Cork City Council by the national government department in Dublin<sup>19</sup> with responsibility for EU relations at the national level (O'Halloran, M. 14-11-1997 – interview). The particularity of the Irish case regarding URBAN was that only the cities of Cork and Dublin were eligible for the Initiative<sup>20</sup>. Thus, there was no bidding process at the national level among candidate cities for participation in URBAN. The two URBAN programmes of Dublin and the one of Cork were selected by the national authorities on the basis of an apportionment of the overall URBAN budget allocated to Ireland. Yet, it was up to the respective City Councils of Dublin and Cork to designate the areas that would participate in URBAN and to make, consequently, a proposal that would meet the financial and technical requirements of the European Commission (O'Halloran, M. 14-11-1997 – interview).

In this context, four reasons were stressed by the Chief local manager of Cork URBAN as suggesting the introduction of the Initiative in Northside:

- a) The fact that the URBAN Guidelines issued by the European Commission require actions funded under URBAN to be part of a long-term regeneration strategy. As this had existed in Northside since 1992, the area was the prime local site eligible for participation in URBAN.
- b) The absence of local financial requirements for the implementation of URBAN. Due to the Objective 1 status of Ireland the EU contributed 75 per cent of the overall costs of Cork URBAN, while the national authorities provided the remaining 25 per cent.
- c) The URBAN Guidelines put emphasis on the promotion of an integrated policy approach.

This was viewed by the City Council as an opportunity for the co-ordination of the individual

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<sup>18</sup> The first policies for Northside were put forward in 1992 and involved a combination of employment creation, education and vocational training related actions. These were consequently integrated with the city-wide initiatives of the Cork Development Plan and the Land Use Transportation Study (Cork City Council, 1997, p.7).

<sup>19</sup> Department of Taoiseach (Cork City Council, 1997, p.3).

<sup>20</sup> Eligible areas for URBAN include “areas within cities and urban agglomerations with a population of more than 100,000” (CEC, 1994-a, p.97 - Article 9).

projects undertaken by public and private sector organisations in Northside under a single local (and not city-wide) framework.

d) The URBAN Guidelines put emphasis on the participation of local community groups in the organisation and implementation of the URBAN Action Plan. This requirement was approached by the City Council as a means for increasing the involvement of local interest groups in the Northside regeneration programme (O'Halloran, M. 14-11-1997 – interview; Cork City Council, 1997, p.7).

The main body for the administration of the Initiative in Cork was the URBAN Steering Committee, which met on a monthly basis to review the progress of the project, headed by a full-time URBAN project manager. The Steering Committee consisted of representatives from a number of public and private sector organisations including the Cork Corporation, the Cork City Vocational Educational Committee, the Training and Employment Authority and the Cork City Enterprise Board. The presence in the Steering Committee of two umbrella community organisations, namely, the Cork Community Development Institute and the Cork City Partnership emphasised the partnership arrangements of Cork URBAN. Also, it acted as a platform for an ongoing consultation process with Northside interest groups during the preparation and implementation periods of the URBAN Action Plan (O'Halloran, M. 14/11/1997 – interview; Cork City Council, 1997, p.33-5).

The Steering Committee categorised the 11 projects to be funded under URBAN into four themes and established four sub-groups with direct responsibility for their implementation. The four themes were: a) improved employment opportunities for local people; b) empowerment of community groups to perform an active part in local development; c) improvement of the environment of Northside for residents and investors; and d) training and education measures<sup>21</sup> (O'Halloran, M. 14/11/1997 – interview; Cork City Council, 1997, pp.49 and 65 and 89 and 95).

#### **8.3.4 Malaga URBAN**

The URBAN programme of Malaga focused on the Historic Centre of the city, an area with 46,000 inhabitants representing half of the population of the central district. The selection of this particular part of the city as the URBAN programme was based on two factors. The lagging socio-economic characteristics of the district and its deteriorating physical infrastructure<sup>22</sup>.

The operational zone of URBAN Malaga was part of a wider scheme of intervention in the central district of the city that was launched in 1988 under the title 'Strategic Plan'. The studies that were conducted under this programme identified the Historic Centre as the most deprived part of Malaga and initiated a comprehensive plan for its re-development. The URBAN Action Plan of Malaga was based on the broad principles of the 'Strategic Plan'<sup>23</sup> (Municipality of Malaga, 1997, p.1; Cots, P.M. 06/04/1998 – interview).

Information about the URBAN Initiative was identified by the Mayor's Office, the department of the Municipality responsible for the administration of the city's 'Strategic Plan'. The person who detected the respective Communication by the Commission in the Official Journal of the European Community requested the approval of the Mayoress for the formation of a local proposal for URBAN. With the provision of an informal authorisation began the preparations for the URBAN Action Plan, forwarded, consequently, for acceptance to the national authorities (Cots, P.M. 06/04/1998 – interview).

All the actions financed by the URBAN Initiative in Spain were part of a single national URBAN programme. According to this framework, the delegated department of the Ministry of the Economy<sup>24</sup> together with the representatives of the ERDF in Spain organised, co-ordinated and monitored the various URBAN Initiatives at the local level. The task of

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<sup>21</sup> An outline of the four themes and the corresponding projects promoted under the Cork URBAN programme can be seen in Appendix 5-C.

<sup>22</sup> Details can be seen in Appendix 5-D.

<sup>23</sup> The key objectives of the Strategic Plan for the Historic Centre are: a) the development of social welfare and health services in the area, paying special attention to the problems associated with illegal immigration; b) development of degraded areas and recreational spaces as well as the rehabilitation of buildings; c) creation of a development plan for the tourism industry aiming to attract investment and generate employment (Municipality of Malaga, 1997, p.1).

<sup>24</sup> Department of Planning (URBAN-Spain, 1996, p.18).

'organisation' fell to the national authorities as the intermediary level between the Commission and the local authorities regarding the fiscal and bureaucratic administration of the programme. 'Co-ordination', in turn, addresses the issue of working with the Community Support Framework in Spain (1994-99) (Cots, P.M. 06/04/1998 – interview).

The management of Malaga URBAN was the responsibility of the Mayor's Office. The Office co-ordinated the activities of the City Council and the public corporations involved in the implementation of the 14 sub-actions of the URBAN programme<sup>25</sup>. Further, the Office controlled the submission procedures for new projects and the financial administration of the Initiative as well as organising a monthly meeting to monitor the overall development of the Initiative (Municipality of Malaga, 1997; Cots, P.M. 06/04/1998 – interview).

The 14 sub-actions of URBAN Malaga can be seen in detail in Appendix 5-D. The total expenditure of Malaga URBAN was 14,2 million ECUs, of which the EU contributed 70 per cent and the Municipality of Malaga the remaining 30 per cent (CEC, 1995-i).

### **8.3.5 Porto URBAN**

There were two URBAN programmes implemented in Porto during the 1994-99 period. The URBAN studied here was situated in Gondomar, one of the 9 municipalities of the Porto Metropolitan Area. As noted in chapter 4, the municipal level in Portugal is subdivided into communes. The URBAN programme of Porto-Gondomar focused on one of the 12 communes of the Gondomar municipality, S. Pedro da Cova<sup>26</sup>.

S. Pedro da Cova was one of the main coal mining areas of Portugal. The closure of the mines in 1972 had a strong impact on local socio-economic development prospects<sup>27</sup>. In

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<sup>25</sup> The main City Council departments involved in the projects were the Urban Planning and Housing. These were responsible for implementing 7 sub-actions that made up 75 per cent of the overall URBAN budget of Malaga. The targets of these sub-actions related to improvements of the urban environment of the Historic Centre, the rehabilitation of infrastructures as well as intervention in building facades and the interior of shops. Other departments included the Environmental Department, responsible for the promotion of an environmental awareness campaign and improvements in parks and public spaces. Also, the Social Welfare Department, responsible for the introduction of social services in the area. Last, the Local Police was involved in a training programme for improved assistance to tourists and a public company (Pro-Malaga) addressed economic development aspects of the Historic Centre (Municipality of Malaga, 1997).

<sup>26</sup> Population 18,000 (Gondomar Municipality, 1997).

<sup>27</sup> Details can be seen in Appendix 5-E

this context, since 1990 the area is part of the national programme for Urban Renovation (Plano Especial de Realojamento-PER) which attempts to tackle the problems of illegal and degraded housing in the major Portuguese cities. Under this programme, a total of 1,700 new houses were constructed in the commune by the municipality, replacing old housing stock. The URBAN programme complemented the local PER programme, aiming to address the social and economic issues of intervention in S. Pedro da Cova (Patriarca, A. 02/02/1998 - interview).

Information about the Initiative was sent to the local level by the national Ministry of Planning and Territorial Administration. The municipality of Gondomar assigned the preparation of the application for the Initiative – the original URBAN action plan - to a private consulting company based in Porto (Patriarca, A. 02/02/1998 - interview). After approval from the national authorities for Porto-Gondomar to be one of the six URBAN programmes in Portugal<sup>28</sup>, confirmation from the Commission was given in July 1995 (CEC, 1995-i).

The administration of the six URBAN Initiatives in Portugal was organised as a single URBAN programme under the control of the Ministry of Planning. The Ministry had responsibility for communication with the Commission regarding the co-financing requirements of the six local sub-programmes, as well as for the monitoring of the projects at the local level. The formation of the local URBAN Action Plans and the subsequent implementation of the sub-programmes was the responsibility of the corresponding local authorities. For the programme of Porto-Gondomar, the department in charge of the organisation of the Initiative at the local level was the URBAN Office of the Gondomar municipality, established in 1994 for the administration of URBAN projects (Pacheco Da Silva, J. 02/02/1998 – interview).

Under this framework, six main targets were defined for the Porto Gondomar URBAN:

a) Intervention in the urban environment and the physical infrastructures of the area.

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<sup>28</sup> The Portuguese national authorities received seventeen applications from local authorities for the URBAN Initiative and approved funding under URBAN for six of them. For the remaining 11 proposals, a new national programme was created - called Urban Rehabilitation - with targets and operational timetable similar to URBAN (Patriarca, A. 02/02/1998 – interview).

- b) Creation of new (central) public spaces.
- c) Advancement of economic development measures.
- d) Improvements in the provision of social services and an emphasis on the promotion of cultural activities.
- e) Establishment of vocational training courses and enhancement of the role of educational institutions in the community.
- f) Development of appropriate administrative structures and technical capacities for the completion of the URBAN programme (Gondomar Municipality, 1997, p.98).

A full detailed list of the projects of Porto-Gondomar URBAN can be seen in Appendix 5-E. In terms of finances, the EU contributed 70 per cent of the total costs of the programme (4,9 million ECUs), while the co-financing requirements of the local level were covered retrospectively by the national authorities as part of the annual budget grants received by the Ministry of Planning (Patriarca, A. 02/02/1998 – interview).

### **8.3.6 Piraeus URBAN**

The programme of Piraeus URBAN focused on two neighbouring municipalities of the Piraeus metropolitan belt, Keratsini and Drapetsona with 71,000 and 14,000 inhabitants respectively. As Keratsini and Drapetsona are adjacent to the industrial docks of the Piraeus port, the employment structures of the URBAN area have been determined by the dominance of secondary sector activities (transport, storage and oil refineries)<sup>29</sup>. However, the restructuring trends of the transport industries since the 1970s<sup>30</sup> had a major impact on the local unemployment levels, currently at 21 per cent of the local labour force (Keratsini-Drapetsona, 1996, p.12)<sup>31</sup>.

The programme of Piraeus URBAN promoted five broad categories of targets including: a) support for the industrial sectors facing structural problems; b) advancement of

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<sup>29</sup> Activities related to transport, storage, oil refineries and power-stations account for the employment of 46 per cent of the active labour force of the area (Keratsini-Drapetsona, 1996, pp.5 and 7).

<sup>30</sup> See chapter 2.

<sup>31</sup> Further socio-economic indicators can be seen in Appendix 5-F.

employment policies; c) development of social policy measures; d) improvements in the physical environment; and e) development of the administrative and technical capacity of the municipalities to promote the implementation of the programme (Keratsini-Drapetsona, 1996, pp.42-3)<sup>32</sup>.

The administration of the Initiative in Greece took the form of a single URBAN programme co-ordinated by the national authorities with six sub-programmes implemented at the local level. There was no bidding process amongst Greek cities for participation in the Initiative. The six URBAN sub-programmes and the corresponding local authorities were nominated by the ministry at the national level responsible for the implementation of the Community Support Framework for Greece.

Information about URBAN was sent to the Keratsini-Drapetsona local authorities by the National Ministry of Environment and Planning in 1994 and the two municipalities were asked to submit a combined Action Plan for URBAN based on local policy priorities (Tsaousis, K. 24/04/1997 – interview).

The preparation of the URBAN programme was assigned to the Development Corporation of Piraeus Municipalities (ANDIP), a municipal organisation founded in 1986 with as its main areas of activity the conduct of socio-economic studies and the implementation of various policies decided by the Keratsini and Drapetsona local authorities. The local Development Corporation had also a central position in the administrative structures of the Initiative, organised in three levels.

At the national level, URBAN was regulated by a Monitoring Committee consisting of representatives from the respective Ministries<sup>33</sup>, the European Commission, national sectoral associations and interest groups<sup>34</sup>, as well as by local authority representatives from the six sub-programmes. The leading role in this Committee was exercised by the Ministerial tier which had responsibility for co-ordinating the local URBAN sub-programmes and

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<sup>32</sup> A detailed presentation of the targets and projects of Piraeus URBAN can be seen in Appendix 5-F.

<sup>33</sup> Namely the Ministry of Environment and Planning and the Ministry of National Economy.

<sup>34</sup> The Employment and Vocational Training Organisation and the National Corporation for SMEs.

guarantee the complementarity of the URBAN targets with the overall priorities of the national Community Support Framework (Ministry of Environment and Planning 1995).

Two regulatory bodies were formed at the local level. First, the Local Steering Committee, comprising representatives from the Municipal Councils, the local development corporation and the corresponding National Ministries. The local Steering Committee held monthly meetings and decided on projects and budget arrangements suggested by the second tier of the local URBAN administration, the Implementation Committee. In Piraeus URBAN the Implementation Committee was the local Development Corporation (Lougiakis, 15/04/1997 - interview; Iggiliz, V. 18/04/1997 - interview; Ministry of Environment and Planning, 1995).

The total cost of Piraeus URBAN was 11,5 million ECUs with the EU contributing 75 per cent (Ministry of the Environment and Planning, 1996, p.8).

#### **8.4 Analysis of governance responses**

The six URBAN programmes explored revealed the presence of distinct responses at the local and national level regarding the organisation and implementation of the Initiative. The main differences revolved around four issues:

- a) The identification of information about URBAN and, in particular, whether information derived from the national level (Piraeus, Porto, Malaga, Cork), or from the Brussels offices of the respective local authorities (Birmingham, Amsterdam).
- b) The administration of the programme. The distinction here is between independent local URBAN programmes with a limited (co-ordinating) role entrusted to the national authorities (Birmingham, Amsterdam), and URBAN programmes that were part of a single national URBAN programme and operated as sub-programmes (Cork, Malaga, Porto, Piraeus).
- c) The degree of involvement of the national level in URBAN. The decentralised administration of the Initiative in Birmingham, Amsterdam and Cork, contrasts with the high degree of interference from the national level in the programmes of Malaga, Porto and Piraeus.



d) The role of interest groups in the organisation of URBAN at the local level. The presence of interest groups in the committees for the formation and implementation of the local URBAN programme (Cork, Birmingham and Amsterdam) contrasts with the absence of such arrangements in Malaga, Piraeus and Porto.

In turn, a direct relationship was detected between the different governance responses to URBAN and the capacity of case-study cities to engage in and benefit from the programme. Regarding Porto, Malaga and Piraeus - the Southern European case-studies - this differentiation took the form of a limited local administrative and regulatory ability to utilise URBAN for the promotion of endogenous development targets. We will explore this argument in more detail in each of the above four areas of difference.

#### Information provision

The municipal offices in Brussels of Birmingham and Amsterdam played a key role in providing information about the Initiative. The rationale behind the creation of offices in Brussels and their practical everyday functions was explored through the visits to these two cities. The following main areas of activity of these units were identified:

- a) Collection of information about EU urban programmes and awareness about changes in EU legislation regarding the urban level.
- b) Development of contacts with EU officials at the various Directorate Generals.
- c) Responsibility for the organisation of Structural Funds programmes (for the Objective 2 programmes of Birmingham and the West Midlands region).
- d) Involvement with the EURO CITIES urban network on a long-term basis aiming to advance co-operation with other European cities.
- e) Establishment of links with other European cities on a bilateral basis with the aim to assist the development of the local educational and entrepreneurial community (Blumfield, J. 13/02/1998 – interview; Storteboom, J. 06/07/1998 - interview).

The presence of administrative divisions in Birmingham and Amsterdam that aim to incorporate the EU dimension in local strategies for development indicates the pro-active attitude of these two cities towards EU urban programmes. Two aspects of the local governance profile are central in explaining this policy shift towards the EU level.

First, the presence of long-term development goals formed by the respective City Councils in co-operation with local interest groups. Second, the local construction of the strategies to be adopted for the promotion of these (locally defined) interests. The orientation of attention towards the European level was the result of the 'recognition' of the opportunities offered by EU urban programmes for local socio-economic development (Blumfield, J. 13/02/1998 – interview; Storteboom, J. 06/07/1998 - interview).

Further than simply developing links with the Commission in order to advance local interests, the two cities lobby through their offices in Brussels for the development of urban policies at the EU level. Examples of this action are: a) the role of the cities in the EURO CITIES urban network that actively supports the development of a comprehensive European urban-policy framework; b) the discussions organised by the Birmingham office in Brussels between the city and DG XVI on the content and orientation of the Commission's spatial policies during the 'Agenda 2000' consultation period; c) the conference - complementary to the Commission's - organised by Birmingham in 1998 for the discussion of the White Paper 'Towards an Urban Agenda in the EU'; and, d) the direct lobbying of the two cities in Brussels through their representatives in the Committee of the Regions and their Members in the European Parliament<sup>35</sup> (Blumfield, J. 13/02/1998 – interview; Storteboom, J. 06/07/1998 - interview).

The pro-active approach of Birmingham and Amsterdam towards the EU increases the cities' opportunities for a successful involvement and utilisation of the EU urban programmes.

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<sup>35</sup> As the Birmingham document on the 'Strategic Targets' of the city in the EU states, "officers will be working closely with partner organisations to make the case that the vital needs facing major urban areas must find adequate reflection in the allocation of budget programmes within the EU. It will be important that this case is made directly to Government Ministers and to the appropriate EU institutions including the Committee of the Regions. Close links will be maintained with the city's MEPs in this work" (Birmingham City Council 1997-a, p.6).

Early information about the programmes allows sufficient time to prepare for the bidding process. Also, knowledge of EU requirements and direct contact with officials at the EU level, along with experience from previous participation in EU programmes<sup>36</sup> enhances the possibilities for successful involvement in EU projects. A prerequisite of such an approach is the presence of a particular degree of local, political, administrative and financial autonomy that is capable of recognising and advancing local interests at the EU level.

In contrast to this, the reliance of Cork, Malaga, Porto and Piraeus on the national administration as the main source of information on URBAN - an outcome of the centralised character of national governmental structures - is an indication of limited local involvement in urban policy developments at the EU level. This is further illustrated in the next section that explores the national and local administrative structures of URBAN.

#### The administrative structures of URBAN

In approaching the administrative arrangements for URBAN in the case-study cities, two different categories are identified. The first includes Birmingham and Amsterdam and the second Cork, Malaga, Porto and Piraeus.

As indicated in the programme reports, the URBAN programmes of Birmingham and Amsterdam were organised solely by the local authorities which also carried the responsibility for co-financing. These were independent URBAN programmes with a limited co-ordinating role assigned to the national administration, acting primarily as the intermediate level between the cities and the Commission.

In Cork, Malaga, Porto and Piraeus, the local URBAN programme was part of the single national URBAN Initiative. The national level provided the co-financing for all the cities (with the exception of Malaga) and co-ordinated the action of URBAN with the respective CSFs. The difference between these two modes of URBAN administration is portrayed diagrammatically in Figure 8.2 through the examples of Greece and the Netherlands.

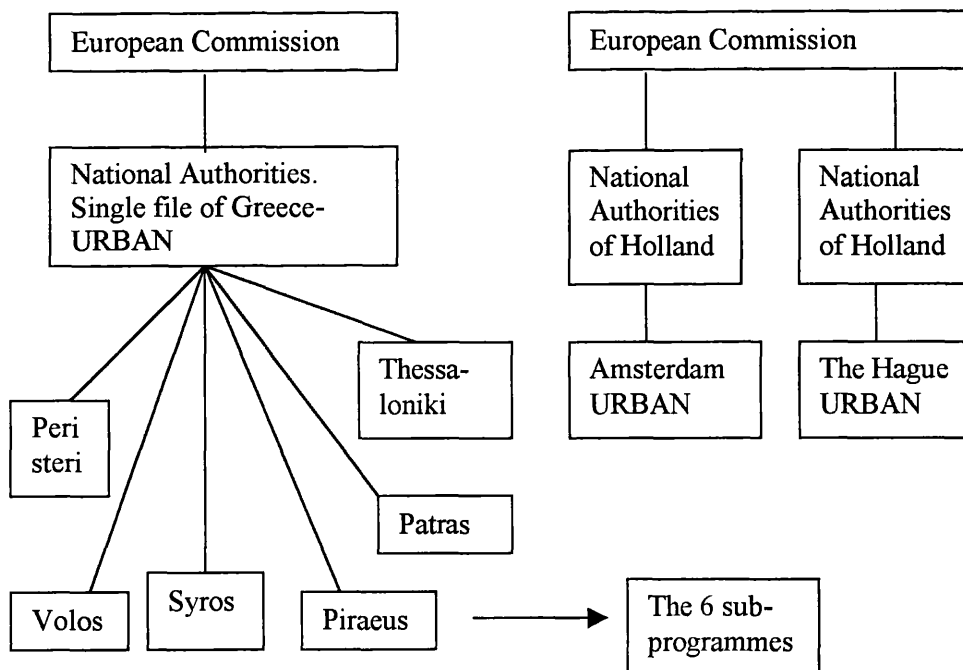
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<sup>36</sup> As noted at the beginning of the chapter and for the 1989-95 period, Amsterdam participated in four RECITE networks (POLIS, EUROPEAN URBAN OBSERVATORY, REBUILT, and EUROCITIES) while Birmingham in three (POLIS, EUROCITIES, EUROPEAN URBAN OBSERVATORY), (CEC, 1996-b, pp.19 and 33 and 141 and 164).

Particular implications for the capacity of the cities to access and benefit from the Initiative were noted as a result of the centralised administrative arrangements of URBAN in Cork, Malaga, Porto and Piraeus.

In the case of Cork, the relevant government department in Ireland informed the local authorities about the Initiative in September 1994. Cork City Council was asked to consult local agencies (the enterprise board and community associations), to prepare an action plan for URBAN. The six week submission deadline set by the national authorities (October 1994), allowed insufficient time for the City Council to advertise and publicise the Initiative. Moreover, there was a two year delay to the start of the programme due to ‘administrative shortcomings’<sup>37</sup> at the national level. In fact, the URBAN programme of Cork started in January 1997, losing two years of its operational period (O’Halloran, M. 14/11/1997 - interview).

**Figure 8.2: The administration of URBAN in Greece and the Netherlands**



<sup>37</sup>The explanations that the URBAN co-ordinator in Cork provided for this were that “there was little experience on the URBAN programme by the people in the Department of the Taoiseach in Dublin and they couldn’t meet the requirements of the Commission”. Also, “the application for URBAN coincided with the preparations for the second CSF for Ireland, and they had to co-ordinate the targets” (O’Halloran, M. 14/11/1997 – interview).

In the case of Malaga, the administration of URBAN by the national authorities resulted in the selective distribution of information about the Initiative. According to the local URBAN manager, while other cities in Spain were informed by the national level<sup>38</sup>, information about URBAN in Malaga was identified by him in the Community's Official Journal (Cots, P.M. 06/04/1998 – interview).

A similar display of selective channelling of information by the national authorities is provided by Piraeus URBAN. The two Piraeus municipalities (Drapetsona and Keratsini) were nominated as participants in the Initiative by the national administration of Greece URBAN. According to the local URBAN manager, the plans for intervention under URBAN were originally part of the 1994 annual budget proposal directed for funding to the Ministries of Planning and National Economy. In this context, “the Ministries had secured funding under URBAN by the Commission and they used this to cover their annual budget responsibilities towards the Piraeus local authorities” (Tsaousis, K. 24/04/1997 – interview). On the question of the rationale behind the selection of these particular municipalities for URBAN, the interviewee pointed to links between the high URBAN budget and the areas selected being the electoral seats of the politicians who are in charge of decision making about URBAN in the relevant Ministerial committees<sup>39</sup> (Tsaousis, K. 24/04/1997 – interview). A further example of the repercussions of centralised administration on Piraeus URBAN relates to the implementation of the programme. This started only in 1997, two years after the official acceptance of the local Action Plan, due to ‘inactivity’ at the national level (Lougiakis, A. 15/04/1997 – interview; Iggliz, V. 18/04/1997 – interview).

In the case of Porto, the Portuguese national authorities collected the requests for EU funding from the six URBAN sub-programmes and “only when a certain budget limit had

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<sup>38</sup> In Valencia, for instance, the regional authorities did receive information about the Initiative from the national level (Marenciano Cámara, A. 01/04/1998 – interview). The issue that arises here is the diverse capacity of the local level in Spain to access the national administration, with the regional level being comparatively better informed and networked with the central administration than the urban level.

been reached”, did they forward them to the Commission. The consequent re-distribution of EU funds to the local level happened simultaneously for all the URBAN sub-programmes during the 1994-99 period (Patriarca, A. 02/02/1998 – interview). This approach had a negative impact on particular Porto URBAN projects as their financing (and progress) depended on the progress of other URBAN projects in the country.

Despite the decentralised administration of the Initiative, the national authorities did indirectly influence the progress of Birmingham URBAN. A dispute between the Commission and the UK government on the URBAN regulations delayed the implementation of Birmingham URBAN<sup>40</sup>. This impaired the development of URBAN projects that utilised resources from the European Social Fund<sup>41</sup>. The local partnership had – at the time of the fieldwork in January 1998 - less than two years in which to deliver this part of the programme, instead of four as was initially planned (Hubbard, S. 19/01/1998 – interview).

Yet, the impact of the involvement of the UK government in Birmingham URBAN was not relevant to the capacity of the city to access the programme, or to the priorities promoted through the programme. It had to do with the problematic political relations between the European Commission and the UK government (Hubbard, S. 19/01/1998 – interview). Similarly, in Cork URBAN, administrative shortcomings at the national level did impact the development of the local URBAN projects. The Irish national department responsible for URBAN, though, did not interfere in the processes that formed the Cork URBAN Action Plan (O’Halloran, M. 14/11/1997 – interview).

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<sup>39</sup> The Minister of Planning and the Environment is elected in the Piraeus area, and the General Secretary of the same Ministry is elected in the region of Volos, two of the six sub-programmes of Greece URBAN (Tsaousis, K. 24/04/1997 – interview).

<sup>40</sup> In the middle of the programme period (1997), the European Commission commented on the original Birmingham URBAN Action Plan requiring the provision of indicative achievements from individual projects. The revised programme produced by the Urban Partnership Group in November 1997 was not approved by the Commission. During negotiations a distinct conflict of opinions occurred. The Government Office for the West Midlands argued that the authorisation of the Commission was not necessary for the approval of the revised Birmingham URBAN Action Plan. The Commission did not share this view. Due to these contrasting arguments, no URBAN action plan had been approved by the Commission by January 1998 in the whole of the UK. Approval was provisional.

<sup>41</sup> According to the Structural Funds’ regulations, budgetary allocations from the Funds must be spent in the calendar year in which they are committed (CEC, 1993-b, p.66 – Article 20). For the case of the Birmingham-Sparkbrook URBAN projects, for instance, all funding for measures under the ‘Training’ category would cease at the end of December 1999.

The opposite picture is presented by the Southern European case-studies. The national administration, by regulating access to information about URBAN in cases of Malaga and Piraeus acted as a barrier to the local identification of the Initiative. Also bureaucratic delays at the national level impeded the progress of particular URBAN projects (Porto and Piraeus). Further than that, there was direct intervention in local URBAN programmes, the nature of which determined the targets promoted by the local level through the Initiative.

#### Involvement of the national administration in local URBAN programmes

Examples of direct intervention by the national level in local URBAN programmes come from both Porto and Piraeus.

In the case of Porto, the regional (administrative) authorities appointed the coordinator of the local URBAN programme for the municipality. This relates to the national governmental structures. The regional level in Portugal has a dominant role in the administration, budget allocation and implementation of the Portuguese Community Support Framework, and was the body responsible for the monitoring of the URBAN programme in Porto. Because the local URBAN Initiative was based on the national programme for 'Urban Renovation' (PER) supported by the CSF, the director of the local PER, appointed by the regional authorities, served also as the Chief Executive of the local URBAN (Pacheco Da Silva, J. 02/02/1998 – interview).

The subordination of the administrative autonomy of Porto URBAN to the regional authorities affected the targets promoted through the programme. URBAN funds, for instance, were used for the creation of the architectural designs of the PER programme, an action not included in the URBAN targets (Pacheco Da Silva, J. 02/02/1998 – interview).

In the case of Piraeus, the Objective 1 status of the country points to the high degree of policy-co-ordination required between the national and local level when administering different Community programmes with similar targets. The policy areas of vocational training and SMEs support, for instance, featured prominently in both the second Community Support Framework of the country and the local URBAN Initiatives.

In order to address the issue of overlapping targets the URBAN Monitoring Committee of Greece issued a document stating that “actions relevant to the development of SMEs will be organised nationally by the Ministry of National Economy”, while, as regards “the development of vocational training programmes, these are to be implemented by the respective national organisations and the Community Support Framework programmes assisted by the ESF” (Monitoring Committee of Greece URBAN, 1995, p.1). In pragmatic terms this policy resulted in a mediating role for the local authorities, forwarding applications for subsidies from the local private and voluntary sectors (SMEs, community associations) to the national authorities (Development Corporation of Piraeus Municipalities, 1997).

Thus, despite the fact that the initiative was launched with the intention of enhancing decentralised development, the role of the local authorities in Greece URBAN concerning vocational training and SMEs support was simply symbolic. Also, the appointment of the general director of Porto URBAN by the national/regional authorities and the fact that URBAN funds were used as a substitute for the budget of the national housing re-allocation scheme indicates the subjection of the Porto URBAN targets to nationally-defined policy priorities for the area.

The high degree of involvement of the national level in the administration and targets of the URBAN programmes of Porto and Piraeus is one of the common characteristics of the way the Initiative was implemented in the Southern case-study cities. A further similarity distinguishing the Northern from the Southern case-studies relates to the role of local interest groups in the organisation and implementation of URBAN. The distinction here is between the City Councils of Amsterdam, Birmingham and Cork, that assumed a regulatory - enabling - role in the organisation of URBAN in order to promote the participation of local interest groups, and the City Councils of Malaga, Porto and Piraeus, which did not facilitate the involvement of local interest groups in URBAN.



### The role of interest groups in the Initiative

In the case-study cities where the involvement of local interest groups in URBAN was promoted, the programme resulted in the upgraded role of the private and voluntary sectors in local policy-making procedures.

In Cork, for instance, there was minimal participation by interest groups in local policy-making procedures prior to URBAN<sup>42</sup>. The requirement of the URBAN regulations for the creation of “partnership arrangements with local actors in the preparation and implementation of operational programmes”, altered this situation (Article 20 - CEC, 1994-a, p.99; O’Halloran, M. 14-11-1997 - interview). The involvement of community groups in the Cork programme started in the preparation period for the formation of the URBAN Action plan. A letter inviting proposals for projects to be funded under URBAN was sent to the local newspaper as well as to all community associations, public agencies and other interested bodies from Northside. The submissions that followed led to the selection of a number of projects in Northside which constituted the basis of the application for URBAN in 1994 (Cork City Council, 1997, p.33; O’Halloran, M. 14-11-1997 - interview). Furthermore, as indicated by the preceding presentation of the Cork URBAN programme, the upgraded role of interest groups was reflected in the structures of the programme. The URBAN Steering Committee, for example, acted as a platform for an ongoing consultation process with private and voluntary sector organisations during the programme period (O’Halloran, M. 14/11/1997 – interview; Cork City Council, 1997, pp.33-5).

In the initial phases of the Amsterdam programme<sup>43</sup> the participants from interest groups on the URBAN Steering Committee raised a number of criticisms regarding the mode of their involvement in the Initiative. The main area of concern was the absence of representatives from the ethnic communities of Bijlmermeer in the project groups<sup>44</sup> (Storteboom, J. 06/07/1998 – interview).

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<sup>42</sup>This consisted of a “brief consultation processes with the relevant community groups prior to the implementation phase of a project” (O’Halloran, M. 14-11-1997 - interview).

<sup>43</sup> Early 1996 (Storteboom, J. 06/07/1998 – interview).

<sup>44</sup> As J. Storteboom, the local principal co-ordinator of the Initiative said, “these criticisms from ethnic minority organisations in Bijlmermeer constituted more than an simple expression of concerns

Under these developments, the decision taken by the Steering and Monitoring Committees of Amsterdam URBAN was to temporarily suspend the implementation of the programme. This was accompanied by the launch of a nine month extensive consultation period aiming to create new structures that would enhance the representation of the ethnic communities of Bijlmermeer in URBAN (Storteboom, J. 06/07/1998 – interview). The Commission were notified of the changes that occurred to the original programme and they were approved by DG XVI at the end of 1996. To the two major targets of ‘employment’ and ‘education’ a new one was added under the title of ‘empowerment’, aiming at improving relations between the ethnic communities of Bijlmermeer and the local authorities. In terms of projects, a new ‘call for proposals’ was launched encouraging local interest groups to submit applications for URBAN.

The initial targets of Birmingham URBAN were drawn up by Sparkbrook voluntary and private sector interest groups. In subsequent stages of the programme the respective interest groups were represented in the administrative structures of URBAN and had a major role in its implementation. The principal community organisation in Sparkbrook<sup>45</sup>, for instance, assumed responsibility for raising resources for the URBAN co-financing requirements<sup>46</sup>, while it administered directly over half of the total URBAN budget. The targets of the ‘Business Development’ theme of URBAN were decided by the City Council in partnership with the Training and Enterprise Council and local private sector groups. Also, vocational training was delivered through existing community institutions - mainly the Islamic Centre - in association with a local training college (Hubbard, S. 19/01/1998 - interview).

The incorporation of local interest groups in the URBAN structures of Amsterdam, Birmingham and Cork did not occur without difficulties. As the preceding presentation indicated, tensions regarding the degree of community representation in Amsterdam URBAN

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regarding the implementation of URBAN. What started with URBAN was a process of enhanced involvement of the local ethnic community in the District’s policy-making structures. It was a process of empowerment of the local ethnic community’ (Storteboom, J. 06/07/1998 – interview).

<sup>45</sup> The ‘Balsall Heath Forum’, representing 13 community groups (Hubbard, S. 19/01/1998 – interview).

<sup>46</sup> The ‘Balsall Heath Forum’ approached for this reason the business community of the area as well as large corporations in Birmingham such as TARMAC and BP (Hubbard, S. 19/01/1998 - interview).

resulted in the re-launch of the programme, while rivalries between the ethnic and religious groups in Birmingham limited political negotiations during the programme period<sup>47</sup>. Yet, despite the initial obstacles faced in this process, attempts by the local authorities to involve interest groups in URBAN enhanced the capacity of the localities to utilise the Initiative and promote endogenous development policies through the projects. The opposite example is provided by Malaga, Porto and Piraeus.

In Porto, the structures created for the implementation of the Initiative did not incorporate local interest groups. The programme was run by the URBAN Office which consisted of appointed members from the Gondomar Municipal administration and was directed by a manager assigned at the national level to co-ordinate the programme. The absence of involvement of local interest groups is illustrated by the fact that even the political authorities of San Pedro da Cova - the area on which URBAN focused - were not represented formally in the URBAN Office<sup>48</sup> (Pacheco Da Silva, J. 02/02/1998 – interview).

Similarly, in Piraeus, URBAN was administered directly by the Development Corporation of the municipalities involved. The main reason provided by the local URBAN manager for the centralised character of URBAN administration was the absence of institutionalised interest groups in the area (Tsaousis, K. 24/04/1997 – interview).

In Malaga, one of the two administrative units of the initial URBAN structures, the Control Commission, consisted of representatives from the City Council and from private sector associations of the Historic Centre. Yet, with the change in the political leadership of the Municipality after the 1996 local elections, this tier was abolished by the new Mayor. Since 1996 the Malaga URBAN programme has been organised, financed and implemented solely by the local authority (CEC, 1994-a, pp.97-9; Municipality of Malaga, 1997).

The interviewees at the local level recognised particular negative consequences for the progress of the programmes as a result of this exclusion of interest groups from URBAN.

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<sup>47</sup> As S. Hubbard, the Birmingham URBAN co-ordinator stressed, “rivalries between the different ethnic and religious groups run so deep in the area that, sometimes, the Balsall Heath Forum looks like a sort of a civil war zone in terms of politics” (Hubbard, S. 19/01/1998 – interview).

First, certain URBAN projects (promotion of economic activities, cultural policies) presuppose the active involvement of community and local entrepreneurial groups if they are to achieve their targets (Pacheco Da Silva, J. 02/02/1998 – interview). Second, the absence of independent administrative structures for URBAN resulted in reduced flexibility in policy-making, and delays in the implementation of projects (Santos, C. 1997, p.A.33).

## **8.5 Conclusion**

### **8.5.1 European urban diversity and the URBAN Initiative**

The hypothesis concerning the different starting points of European cities with respect to their ability to utilise the EU urban programmes was explored in this chapter in the URBAN Initiative. The importance of north-south differences in urban governance in Europe as a structural determinant of the limited ability of the Southern European cities to approach and benefit from the URBAN programme was illustrated in the following areas:

#### **a) Degree of financial and administrative (in)capacity**

The restricted financial base and range of functions performed at the local level, and the high degree of financial dependency on central support and grants were highlighted in chapter 4 as illustrative of the typical local authority profile in Spain, Portugal and Greece. In Porto and Piraeus the cities depended heavily on the national level for the co-financing requirements of URBAN. Also, in all three Southern European case-studies one URBAN target was to develop the administrative and technical ability of the municipalities in order to implement URBAN, indicating the major local limitations in these areas.

The opposite example was displayed by Amsterdam and Birmingham where the local authorities possessed adequate levels of financial, as well as technical and administrative, capacity to implement the programme.

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<sup>48</sup> There was only an initial informal agreement about the programme between the Municipality and the Commune prior to the implementation of URBAN (Pacheco Da Silva, J. 02/02/1998 – interview).

#### b) The centralising tendencies of the national administrative system

The high degree of centralisation in the national administrative framework in Spain, Portugal and Greece was identified in chapters 4 and 5 as a common structural characteristic of Southern Europe, restraining the profile and range of actions of the local level. In the examination of Malaga, Porto and Piraeus this was illustrated through the national control of information about URBAN, the nomination of the participating cities by the national Ministries, and by the high degree of central intervention regarding the targets and priorities promoted through the local programmes.

In order to further explore the impact of centralised governmental structures on the ability of a city to benefit from URBAN, the programme in Cork was examined. In a manner similar to the Southern European cities, the city of Cork operates in a centralised national framework and in an Objective 1 region, a factor that allows central intervention on URBAN on the basis of the co-ordination of the URBAN targets with the CSF. The presence of centralised administrative structures for URBAN in Ireland did affect the functionality of the Cork programme, regarding primarily delays in the starting date of its implementation. As opposed to Malaga, Porto and Piraeus, however, Cork URBAN presented a programme unobstructed by the national authorities, that promoted locally defined targets in partnership with local interest groups.

The case-studies of Amsterdam and Birmingham did not reveal interference by the national administration in URBAN. The comparatively high degree of political and financial autonomy of the local level in the respective countries facilitated the unobstructed promotion of locally-defined targets through URBAN. Furthermore, the existence of these cities' municipal offices in Brussels, aiming to advance the local interests at the EU level, is a direct result of both the decentralised nature of the national administration and the presence of an efficient bureaucratic mechanism in the local level.

#### c) Distribution of executive power at the local level

The dominant role of the political executive and the presence of personified leadership was discussed in chapters 4 and 5 as a key shared characteristic of urban governance in

Southern Europe, relevant to the absence of professionalised bureaucratic mechanism at the local level. The inadequacy of the local administration and the pivotal position of the mayor were detected as central features of the URBAN programmes in Malaga, Porto and Piraeus.

The Southern European cities did not develop independent administrative arrangements for the implementation of URBAN. The Initiative was run solely by the local authorities as a department of the municipality. The role of the mayor was prominent in shaping these developments. Malaga's participation in URBAN, for instance, was decided on by the city's Mayor. Further, the change in political leadership (1996) and "the dislike of the new mayor of partnership arrangements" resulted in the abolition of the committee representing the local private sector in the programme (Cots, P.M. 06/04/1998 – interview). Similarly in Porto, the participation of the Gondomar municipality in URBAN was approved by the mayor. The extent of the mayor's authority in local executive structures is illustrated, in this case, by his disapproval of EU 'Exchange of Experience' projects, prohibiting the municipality from participating in other EU urban programmes such as RECITE and PACTE (Pacheco Da Silva, 02/02/1998 – interview).

In contrast to this, Amsterdam, Birmingham and Cork developed independent structures for the implementation of the Initiative. This assisted both the streamlined and efficient organisation of URBAN and the enhancement of partnership arrangements and incorporation of local interest groups in the implementation of the programme.

#### d) Interaction between local institutions

As discussed in chapter 5, the distortion of representative institutions and corporatist structures at both the local and national level in Spain, Greece and Portugal as a result of authoritarian administration until the mid 1970s, has not been yet addressed in the brief period of transition to democracy.

The underdevelopment of local governance structures in Malaga, Porto and Piraeus was illustrated by the absence of representation of local interest groups in URBAN. In the case of the Piraeus municipalities, interest groups were not adequately formed at the local

level to be represented in URBAN (Tsaousis, K. 24/04/1997 – interview). In the case of Porto, national regulations did not allow the administration of URBAN funds by local interest groups, formally excluding the private and voluntary sectors from direct involvement in the programme (Santos, C. 1997, p.A.33). The implications of this for the effectiveness with which the programmes promoted their targets is illustrated when contrasted with the cases of Amsterdam, Birmingham and Cork.

The incorporation of local interest groups in the URBAN structures of Amsterdam, Birmingham and Cork facilitated the promotion of targets defined by local socio-economic actors. Furthermore, with the exception of Cork, it secured the resources for the co-financing obligations of these cities<sup>49</sup>. More importantly, though, partnership arrangements in URBAN improved the institutional framework of representation in these areas enhancing the local potential for endogenous growth policies and trajectories.

### **8.5.2 Urban diversity and EU policy-making**

“The aim of the Community Initiatives is to strengthen cohesion within the European Union by encouraging more balanced economic and social development” (CEC, 1994-a, p.11).

The different governance capacity of European cities to benefit from URBAN contradicts directly the rationale behind the launch of the Initiative by the Commission. The research investigated the view and the position of the relevant policy-making bodies at the EU level regarding the identification and implications of urban diversity for the functioning of the URBAN programme. Two particular issues were raised in these interviews:

First, the recognition of the different capacity of cities across Europe to approach and utilise URBAN. The different ability of cities to meet the co-financing requirements, for instance, was identified by the Chief Executive of URBAN at DG XVI as the major and pragmatic indication of the diverse starting points of the European cities. Related to this is the degree of centralisation of the national administrative framework. Cities with lagging financial capacity are part of a national URBAN programme where the co-financing

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<sup>49</sup> See Appendix 5-A and 5-B.

requirement is met by the national authorities. The negative consequence of this is the dependence of the progress of one individual URBAN programme on other programmes in the country<sup>50</sup> (De Rynk, S. 06/03/1997 – interview).

Beyond finances, other issues stressed by the interviewees as relevant to the dissimilar capacity of cities to utilise URBAN include the degree of competence of the local bureaucratic mechanism and the experience of the local level in promoting socio-economic development policies (De Rynk, S. 06/03/1997 – interview; Christofidou, T. 06/03/1997 – interview; Frischmann, D. 06/03/1997 - interview).

However, the limited capacity of the Commission to address the issue of urban diversity was stressed, an argument based on the absence of a mandate for European urban policy in the Treaties. As suggested by the Chief Executive of URBAN at the EU level, the Initiative was formed in a manner that, while it recognises the differences in urban Europe, deferred these as “an issue for the national administration to deal with”<sup>51</sup> (De Rynk, S. 06/03/1997 – interview).

The processes and negotiations that occurred at the EU level prior to the introduction of URBAN illustrate further the north-south divide of urban Europe and the limited capacity of Southern cities to utilise the EU urban programmes.

#### The debate over the introduction of URBAN

On June 1993 the Commission published a Green Paper with suggested topics for future (1994-99) Community Initiatives, inviting proposals from all parties concerned. The Green Paper<sup>52</sup> did not include the URBAN Initiative, or any other form of direct Community intervention in urban Europe (CEC, 1993-b, p.28). The introduction of URBAN as one of the

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<sup>50</sup> As De Rynk noted, “a city in Spain, for instance, is part of the national URBAN programme in which case the Commission advances payments on the basis of the average progress of the national programme. The national programme incorporates a number of URBAN Initiatives that might be on dissimilar stages of development. This can hold up the progress of individual programmes. It is different if you have single operations. Payment from the Commission is received on the basis of the progress that the city is making” (De Rynk, S. 06/03/1997 – interview).

<sup>51</sup> As indicated earlier, the URBAN regulations state that “the local authorities and social partners should be involved in the preparation and implementation of the operational programmes in a manner appropriate to each member state” (Article 20- CEC, 1994-a, p.99).



thirteen Initiatives for the 1994-99 period was the result of proposals from the European Parliament. These reflected concerns about the absence of an urban focus in EU spatial policies despite the acute socio-economic problems found in urban areas (CEC, 1994-a p.96). However, the debate over the introduction of the urban dimension into structural policies included arguments against such a development, presented by the national representatives of Spain, Portugal and Greece to DG XVI (Iggiliz, V. 18/04/1997 – interview).

This standpoint was dictated by both practical and political considerations. The URBAN Initiative diverts resources from the CSF and the Cohesion Fund towards local authorities, yet the dependence of the local state on national - financial and technical - support in Spain, Greece and Portugal points to the inevitability of national involvement in local URBAN programmes. In this context, the necessity of the move towards URBAN as well as its viability as a local level policy was questioned (Tsaousis, K. 24/04/1997 – interview).

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<sup>52</sup> Submitted to the European Parliament, the Economic and Social Committee, the member states, the Committee of the Regions, local authorities, plus 'the two sides of industry' (CEC, 1993-b, p.28).

## **Chapter Nine**

### **Conclusion: Current developments and the effectiveness of European urban policy**

#### **Introduction**

The thesis has examined the comparative competitive capacity of cities in Spain, Greece and Portugal at the European level, and analysed the north-south differences of urban governance structures in the EU urban policy initiatives. Four interrelated issues were stressed regarding the causes of current patterns of unbalanced development in Europe and the effectiveness of EU spatial policies promoting cohesion:

First, the review of local state indicators influencing competitiveness identified a divide in the modes of urban administration in Europe. The local state in Spain, Greece and Portugal displayed shared traits - divergent and underdeveloped with respect to the EU norm - of fiscal, administrative and regulatory structures.

Second, the thesis explored the urban spatial manifestations of socio-economic restructuring processes in Europe. Two distinct types of urban life-cycles were identified, indicating the dissimilarity of urban restructuring processes in Spain, Greece and Portugal from the dominant European pattern(s) of urban resurgence. This illustrated the structural limitations on the capacity of cities in Spain, Greece and Portugal to advance competitive oriented urban governance.

Third, the European dimension of urban restructuring and governance was examined. Inter-urban competition and networking at the European level were delineated as a novel form of urban governance; an urban restructuring mode that highlights further the North-South divide of urban Europe.

Fourth, the thesis explored the development of EU urban governance policies and highlighted the relevance of North-South differences in this context. The empirical material presented illustrated by means of examples the importance of different local governance 'contexts' in

cross-national urban policy exercises. The research pointed to the structural hindrances on the capacity of the case-study cities in Spain, Greece and Portugal to devote financial and administrative resources and develop the required 'governance' arrangements for the utilisation of the EU urban initiatives.

The urban dimension of European spatial policies was significantly upgraded in the latest revision of the Structural Funds Regulations (1999). The basis of this policy shift, however, is the mode of urban intervention exercised in the 1994-99 programming period. The effectiveness of this approach in addressing the North-South pattern of urban disparities in Europe is discussed in the concluding chapter of this thesis.

The chapter is divided into three:

- a) Examination starts with a review of Community debate on urban policy prior to the 1999 reform in order to gain an insight into the formulation of policy and the rationale behind the 'mainstreaming' of urban programmes. A summary of the urban-oriented changes in structural policies for the 2000-06 period is presented in Appendix 2-C.
- b) Based on the findings of the case-study chapters, a critical analysis of the Community's urban initiatives is attempted.
- c) The chapter concludes by discussing some of the dominant methodologies of cross-European urban governance studies. It suggests the need for a more sophisticated theorisation of the diversity of governance 'contexts' in Europe in the framework of the prospective restructuring of the European urban system.

### **9.1 The urban policy debate in the Community**

The reports on the reform of the Regulations governing the Structural Funds and Cohesion Fund in the new programming period (2000-06) were adopted by the European Parliament in May 1999 and the Council in June the same year (CEC, 1999-e). Urban policy was a key area of consideration in the discussions prior to the reform, a debate that elucidates the rationale behind the enhanced EU urban intervention.

In 1997, the Commission adopted the Communication 'Towards an urban agenda in the European Union' launching a discussion and inviting comments about "an improved integration of Community policies relevant to urban development" (CEC, 1997-1). This Communication was followed up by the Commission's presentation of the European 'Framework for Action *for* Sustainable Urban Development', a document clarifying the reasons for and targets of European urban policy (CEC, 1997-1, pp.3 and 14; CEC, 1999-b).

The rationale for an upgraded urban intervention was based on "the de facto urban relevance" of European socio-economic cohesion policies<sup>1</sup> since spatial disparities in the EU "mainly reflect the strengths and weaknesses of towns and cities" (CEC, 1999-b, p.4). Cohesion policies, in that respect, would become more effective by better taking into account the challenges and opportunities of urban areas (CEC, 1999-b, p.4).

The analysis in EU documents of the upgraded relevance of the urban level in cohesion policies runs parallel to the argument of this thesis. The urban policy shift of the Funds is approached in the framework of global socio-economic restructuring and the increased importance of urban space in development prospects<sup>2</sup> (CEC, 1997-1, pp.6 and 8; CEC, 1999-b, p.31). These trends, together with the economic and monetary integration targets - expected to "augment" the spatial effects of industrial restructuring processes in the EU - are understood as triggering "a sense of competition between cities as they seek to find a niche in a rapidly changing marketplace" (CEC, 1999-b, p.32). In this context, the different capacity of European cities to respond to contemporary challenges, resulting from their location, dissimilar scale economies and political, financial and administrative advantages, risks "further concentration of economic activity in some parts of Europe"<sup>3</sup> (CEC, 1999-b, pp.31-2; CEC, 1997-1, p.7; CEC, 1999-g, p.14).

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<sup>1</sup> Actions relating to urban development were estimated to absorb 30 to 40 per cent of the of the Objective 1 budget during 1994-99, while approximately 80 per cent of Community resources for Objective 2 areas during that time were spent directly on urban projects (CEC, 1997-1, p.9).

<sup>2</sup> Emphasis is placed on particular trends such as increased capital mobility, enhanced significance of locational advantages for investment decisions and the rise of producer services as a key sector for employment and economic growth (CEC, 1997-1, p.6 and 8; CEC, 1999-b, p.31)

<sup>3</sup> As the 1997 Communication on European urban policy stressed, "cities are operating in different, legal, institutional and financial systems in the various member States. As local authorities react to

In line with the key structural policy objectives of ‘competitiveness and cohesion’, as well as with the Title on Employment in the Treaty of Amsterdam, three interdependent urban policy targets were proposed :

- a) The launch of policies that foster a flexible/competitive urban economy with emphasis on human capital, SMEs development and employment creation (CEC, 1999-b, pp.8-12).
- b) The promotion of policies on social inclusion through an integrated area-based approach to urban regeneration (CEC, 1999-b, pp.13-5).
- c) The encouragement of innovative and flexible decision-making processes and partnership arrangements between the public, private and voluntary sector at the local level that would facilitate governance arrangements and the entrepreneurial shift of European cities (CEC, 1999-b, pp.36-7)<sup>4</sup>.

The key aspects of the 1999 revision (presented in appendix 2-C) responded to these considerations and proposals. The reform consisted of the launch of explicit urban programmes in mainstream policies for Objective 2 areas, the extension of the ‘partnership’ principle at the local level and the continuation of the URBAN Initiative and networking policies (CEC, 1999-c, pp.3 and 7-8 and 20-1; CEC, 1999-d, pp.5 and 16-7 and 19). This policy shift confirms the *de jure* incorporation of urban policy in the Community’s structural policies framework. However, the new EU urban intervention does not acknowledge the different contexts in which the European cities operate even though the issue was raised in the EU debate on urban policy.

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challenges with the policy resources at their disposal it is only natural that their efforts in the field of urban development will differ” (CEC, 1997-1, p.7).

<sup>4</sup> The proposed means to achieve this aim included: a) the urban orientation of objectives 1 and (especially) 2 in the 2000-06 programming period; b) the “mainstreaming” of the experiences of the Urban Pilot Projects and the URBAN and INTEGRA Community Initiatives; c) the continuation and fostering of “joint cross-border and inter-regional urban development strategies and planning approaches”; d) the incorporation of the urban dimension “in all new environmental legislation and policy instruments”; e) the focusing of the 5<sup>th</sup> Framework programme for Research and Technology on cities as a means for improving productivity and employment; f) the conducting of studies “in fields relating to competitiveness and economic development of urban areas”; and, in order to facilitate the effectiveness of the urban policy shift, g) “the collection of comparative information about cities in Europe” (CEC, 1997-1, p.16; CEC, 1999-b, pp.11-5 and 18 and 22; CEC, 1997-1, pp16-7).

### **9.2.1 Assessing the changing mode of EU urban governance**

The diversity of local level structures in Europe and its impact on the effectiveness of the EU urban initiatives has been acknowledged by a number of EU documents, as well as by independent and EU-funded studies. Comments on the issue relate to the unequal starting point (administratively, financially) of European cities in approaching the EU urban initiatives, their consequent capacity to develop local structures for their implementation, and to the functionality of 'exchange of experience' networks comprised of unequal partners.

A study by Wegener and Kunzmann, for instance, stressed that "many of the urban programmes funded under the Structural Funds go to successful cities", with particular reference to the RECITE network, criticised as being a "lobbying club" (Wegener, M. and Kunzmann, K.R. 1996, p.14). The examples of EU urban programmes explored in this thesis illustrated the diverse capacity of European cities to approach EU urban initiatives. Particular aspects stressed were their dissimilar access to information about the programmes and the limitations caused by the restricted capacity of the less advanced localities to devote the financial and administrative resources required for a successful application for participation. The impact of urban diversity in this area results in a process of exclusion of the less competitive cities from the very beginning of the programmes.

Regarding the implementation of the programmes, the Seventh Annual Report of the Commission noted the variety of means of incorporating interest groups in 'partnership' arrangements at the local level, stating that "the situation varies greatly, from no involvement in some Member States, through indirect representation or mere information procedures in others, to real involvement in decision making in others" (CEC, 1996-a, p.23). In the two programmes examined, this trait of European urban diversity was noted as a key factor determining the effectiveness of local involvement in a European project. Cities with comparatively high levels of interaction between the local authorities and local interest groups utilised to the utmost the opportunity offer by EU policies for endogenous development through co-operation.

Finally, regarding broader concerns about the formulation of a cross-national framework for urban policy, a study by the RECITE Office emphasised the importance of the participants being of “a similar character in terms of scale and competence” (CEC, 1995, p.16). As the report stressed, “the transfer of know-how is rarely unidirectional from developed to less favoured regions. Projects better enable transfer when all partners have know-how to contribute and a willingness to learn from others” (CEC, 1995, p.16). The interaction between the participants in the programmes examined was more ‘successful’ when the cities shared a particular (high) level of expertise and know-how as well as the resources for, and political commitment to, co-operation.

As indicated by the preceding studies, the formulation of a cross-national framework for European urban policy raises (as an exercise) a number of characteristic obstacles because of the fundamental heterogeneity of the participants. Two interrelated issues are at the centre of any attempt at addressing these problems. First, critical analysis of what is being proposed by the EU as urban policy. Second, enhanced understanding of not only the form that the shortcomings of the EU urban initiatives take, but also of the causal mechanisms that generate them. This has been attempted in this thesis with the examination of urbanisation trajectories in Spain, Greece and Portugal and the emphasis placed on the different modes of urban restructuring in Northern and Southern Europe<sup>5</sup>. The conceptualisation and consequent analysis of these processes elucidated the structural limitations on cities in Spain, Greece and Portugal in approach and utilising EU urban programmes. These limitations are of particular importance following the upgraded urban focus of structural policies in the 2000-06 framework.

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<sup>5</sup> Although the conceptual framework was presented prior to the comparative analysis of Northern and Southern cities in EU programmes, the identification of the particularity of the lagging performance of cities in Spain, Greece and Portugal in the two EU urban programmes examined led to further research into the Southern European mode of urban restructuring and local level regulation. This mode of “cyclical and recursive” research between the abstract (urbanisation patterns) and the concrete (performance of cities in EU programmes), facilitated an analysis that was not restricted to pointing out only the limitations of cross-national policy-making exercises, stating areas of shortcomings and possible improvement (see Pratt, A.C. 1994, pp.202-3).

### **9.2.2 The effectiveness of European urban policy**

The rationale for the construction of EU urban initiatives is based on the mode of urban resurgence experienced in Northern Europe since the mid 1980s. The programmes aim at triggering urban restructuring and endogenous development processes through the encouragement/facilitation of local level 'governance' arrangements, while assigning the key role in this endeavour to the local state. The explicit urban orientation of Objective 2 and the revised 'partnership' principle in the 2000-06 programmes attempt an extension of this policy rationale into the mainstream framework of EU spatial policies.

The 'subsidiarity' principle, in this context, illustrates the nature of EU urban intervention. The EU creates a platform that fosters urban involvement in EU spatial policies, but allows, simultaneously, for the diversity of urban Europe as defined by the role and responsibilities of cities at the national level. The existence of a North-South structural divide in urban Europe questions the effectiveness of these policies in Southern Europe. The EU urban initiatives, by ignoring the variety of urban governance structures in Europe risk failing to address the lagging competitiveness of the majority of cities in Spain, Greece and Portugal.

Southern European local authorities do not possess the pragmatic infrastructure (financial autonomy, technical and administrative capacity) to approach and benefit from these programmes. More importantly, though, Southern localities display different social and political infrastructure and the respective local authorities face structural limitations in articulating entrepreneurially oriented urban governance. The examination of the socio-political context of the urbanisation process in Spain, Greece and Portugal illustrated the diverse role that the local state was called upon to perform in 'peripheral Fordist' local level regulation. The potential for restructuring of Southern cities and, consequently, the effectiveness of the EU programmes to trigger such processes in these areas, is defined by the divergence of their structures from the Fordist – post-Fordist mode of urban resurgence<sup>6</sup>.

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<sup>6</sup> Commenting on the relevance of EU local level policies in the Portuguese context, for instance, Syrett (1995) stressed that "the importance of the EU ... has not just been through the provision of financial



The EU could widen the urban dimension of spatial policies and focus more closely on the role of local authorities in the attempt to promote economic competitiveness and tackle spatial disparities. The effectiveness of such an endeavour, however, depends on the incorporation in EU policies of the fundamental heterogeneity of urban governance in Europe. This could be advanced through a variety of policy means, the identification of which is the role of policy makers. Key amongst them, though, is an enhanced understanding of the political and social diversity of urban Europe, and also of the importance of this diversity in the framework of the emergence of a polarised European urban system. The analysis conducted in this thesis has highlighted a number of critical points regarding the directions of such an exercise.

### **9.3 The importance of enhanced understanding of urban governance differences in Europe**

The impact of European integration on urban Europe and the European spatial trends has been discussed extensively in the 'inter-urban competition' literature (Cheshire, P 1999; Cheshire, P.C. and Gordon, I.R. 1995-a and -b; Bozzi, C. 1995; Berg, L. and Klink, A. 1995; Begg, I. Lansbury, M. and Mayes, G. 1995). The identification by on-going research projects in this area of local level factors and processes regulating urban competitive performance is a significant contribution to the analysis of uneven development processes in Europe. The empirical background of this study was based to a large extent on the arguments proposed by this literature. Building on this work, however, the research undertaken has highlighted the central dimension of local level political processes in inter-urban competition studies.

Competitive urban governance responses are articulated through political processes, the nature of which is determined locally. As shown in the case-study chapters, the diverse socio-political infrastructure and political orientation of cities in Spain, Greece and Portugal accounted for the limited development of the economic factors and processes that shape urban

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resources, but perhaps more critically through their complete dominance in terms of reference for policy development. The result is that ... the conceptual basis for policies is largely imported from advanced industrial economies, ... with little analysis of the national context. Such free flow of international

competitiveness. The formation of economic factors that influence the degree of urban competitiveness is to a large degree dependent on local political processes.

The analysis of this thesis concurs with the emphasis placed by particular commentators on the structural similarities of the urbanisation trajectories in Spain, Greece and Portugal and the distinct context of urban restructuring and governance in the respective countries (Leontidou, L. 1990 and 1994; Hadjimichalis, K. and Papamichos, N. 1990). Such theoretical endeavours shed light on the variety of urban governance structures in Europe. However, they do not account for the relevance of this diversity in the framework of the prospective restructuring of the European urban system. As suggested by the empirical material of this thesis, the distinctiveness of the Southern urbanisation process connotes more than the different form of urban governance in Spain, Greece and Portugal. It constitutes also an indication of the comparatively limited competitive capacity and 'European' orientation of the urban level in these countries, with respect to the EU norm.

The literature reviewed and arguments discussed in this thesis have provided an insight into the increasing relevance of the European dimension to urban growth prospects. Enhanced territorial competition, the emergence of urban networks based on functional complementary relationships between European cities, and the launch of EU urban policies are strong indications of such trends. These trajectories signify the importance of the recognition and incorporation of the European influence in idiographic studies of urban governance. In the area of the EU urban initiatives the thesis has attempted to incorporate the European dimension in a context-sensitive comparative urban governance study.

The limitations of this exercise are acknowledged. It has only been feasible to explore a small sample of cities and EU programmes. A different choice of case-study cities may present dissimilar governance responses to EU urban programmes. Also, other EU programmes might operate in a manner that addresses more effectively the diversity of urban

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experiences can prove beneficial if utilised to inform policy formulation, but more often, foreign policies appear to dictate policy composition" (Syrett, S. 1995, pp.137-8).

Europe. This work, however, has attempted to balance the limited number of case-study cities with the depth of understanding of the urban governance structures explored.

The empirical material consisted of urban examples as diverse as Malaga, Birmingham, Porto, Amsterdam, Cork, Valencia, Warrington, Toulouse and the Piraeus and Athenian municipalities. In this context, the visits to the localities and the semi-structured interview schedule facilitated comparison while permitting the specificities of the local structures to be identified.

However, greater conceptual and empirical clarity is required. The findings in this thesis point in the direction of a more sophisticated analysis of the variety of urban governance structures in Europe. This consideration is not only relevant to the north-south urban divide. It suggests a critical analysis of the diversity of urban governance contexts in Europe in the framework of enhanced territorial competition and the launch of EU urban policies. A further key manifestation of this diversity, for instance, soon to preoccupy the interest of EU policy-makers, involves the urban level of the 10 Central and Eastern European Countries currently engaged in formal accession negotiations with the EU. Similar to the case of Southern Europe in the early 1980s, the 'transitional policies' to be devised by the EU to accommodate these states will face the challenge of addressing the systematically different form of urbanisation and urban governance in these countries (see Berg, L. et al, 1982; Baldersheim, H. et al. 1996). The effectiveness of the EU policy response, in turn, will be dependent upon the depth of analysis and degree of understanding of the particularities of the urban level in Central and Eastern Europe.

## Appendices

### Appendix 1 : Interviewees

A number of interviews with policy-makers and project co-ordinators that had an active presence in the programmes selected for closer examination were conducted during the fieldwork. The persons interviewed for the purposes of this study are:

#### For the Community's URBAN Initiative

Dr. De Rynk, S. (06-03-1997).

Chief of 'Directorate A1' Unit of DG XVI. This unit is responsible for the launch and co-ordination of the URBAN Initiative at the EU level. Dr De Rynk provided information about the aims, structures and organisational details of the Initiative and suggested further contacts at the EU and local level.

Lougiakis, M. (15-04-1997).

Chief Co-ordinator Officer of URBAN Greece, Ministry of National Economy. Mr Lougiakis provided information about the overall development of the URBAN programmes in Greece as well as about the identification of appropriate case-studies and further contacts in the Athens area (Telephone interview).

Valle, M.L. (07/12/1997).

General Director of the Department for Regional Policy, Ministry of Planning and Spatial Administration of Portugal. Miss Valle provided information about the administration of the URBAN programme in Portugal and suggested further contacts relevant to the Initiative at the local level (Porto).

Pacheco Da Silva, J. (02-02-1998).

Chief Administrator of the URBAN Initiative in the Gondomar area of Porto. Member of the Regional Committee of the North of Portugal. It was through this Committee that he was appointed as the chief programme manager of Porto URBAN.

Patriarca, A. (02-02-1998).

Deputy URBAN Manager of the Gondomar-Porto sub-programme. Member of the Financial Affairs Department of the Municipality.

Branco, T. (03-02-1998).

Co-ordinator of the URBAN sub-programme of the city of Porto. Member of the Department of Social Services of the Porto City Council.

Gongalves, V. (03-02-1998).

Member of the Department of Social Services of the Porto City Council. Co-ordinator of the URBAN Team of the local sub-programme.

Iggiliz, V. (18-04-1997).

Member of the administration of the Drapetsona Municipality. Co-ordinator of the Piraeus sub-programme of URBAN Greece on behalf of the municipality.

Tsaousis, K. (24-04-1997).

Financial administrator of the Development Corporation of the Drapetsona-Keratsini Municipalities. Chief manager of the Piraeus sub-programme of URBAN Greece.

O'Halloran, M. (14-11-1997).

Chief Project Manager of the Cork City URBAN Limited, the City Council Development corporation established in Cork to accommodate the URBAN Initiative.

Hubbard, S. (19/01/1998).

Area Regeneration Manager of the Birmingham City Council. Chief manager of the Birmingham URBAN.

Storteboom, J. (06/07/1998).

Programme Manager of URBAN Amsterdam. Member of the administration of the 'District Council of Southeast' of Amsterdam and chief co-ordinator of the 'Bijlmermeer Renewal Project Bureau'. The Amsterdam URBAN is part of the 'Bijlmermeer regeneration programme.

Cots, P.M. (06-04-1998).

Project co-ordinator of URBAN-Malaga and chief director of the technical team of the municipality of Malaga. The interview was assisted with the presence of an interpreter.

### **For the RECITE programme under Article 10 of the ERDF**

Skarvelis, E. (24-07-1997)

Associate director of ECOTEC Research and Consulting Ltd. (Brussels). The RECITE Office was managed by ECOTEC for the 1992-97 period. Skarvelis, E. was responsible for the administration of the both the 'Urban Pilot Projects' as well as the RECITE programmes.

Drew, K. (24-07-1997).

Chief project co-ordinator of the RECITE programmes at ECOTEC (Brussels). Her principle responsibility was to act as the point of reference between the individual RECITE projects and the Commission. Miss Drew assisted significantly in the identification of RECITE case-studies relevant to the thesis.

Killeen, S. (07-03-1997).

Co-ordinator of the new RECITE Office - run by ARCI Consultants - in Brussels. The new RECITE office runs the RECITE II (1998-2001) programme on behalf of the ERDF. He provided information about the 'call for proposals' period for the new RECITE II projects.

Psaros, N. (09-05-1997).

Chief Co-ordinator of the City of Dafni (Greece) for 'SCIENTIFIC CENTRES'. A member of the 'Pilot Committee' of the network, the political level of co-operation between the cities and regions. Also, a member of the 'Juridical Committee' of the network as this administrative unit was chaired by the City of Dafni.

Merenciano Cámara, A. (01-04-1998).

General Director of Financial affairs at the Regional level of Valencia (Spain). The unit is responsible for the local (regional) administration of EU programmes. The interview inquired into the details of Valencia's participation in RECITE and the URBAN Initiative.

Perez-Antoli, R. (22-09-1998).

RECITE Manager on behalf of IVEX (Valencia Agency for Export Support). IVEX is a public sector development corporation facilitating the participation of SMEs from Valencia in the RECITE projects. (Telephone conversation).

Castellet Marti J.M. (28-09-1998).

Manager at Universitat Jaume I, Centro de Processament de Dades, Castello-Valencia. Responsible for the organisation and implementation at the university level of the research phase of SCIENTIFIC CENTRES-RECITE programme.

Cros, P.H. (09/10/1998).

Assistant Director of CERFACS and Chief of the 'Technical Co-ordination Committee', of the SCIENTIFIC CENTRES network (the managerial and administrative body of this RECITE project). Co-ordinator of the participation of the university/research centres in the project.

Mbarkoura, T. (18-04-1997).

International Relations of the Municipality of Athens. Responsible for a number of EU programmes that involve the municipality of Athens, including the EUROCIITIES-RECITE project.

Hoyle, K. (02-10-1997).

Officer of the Economic Development Unit, Warrington Borough Council (UK). Deputy manager for Warrington in the EUROSUNET Programme.

Pizer, M. (02-10-1997).

Chief of the Economic Development Unit, Warrington Borough Council (UK). Chief co-ordinator for Warrington in EUROSUNET.

Costello, K. (12-11-1997).

European Liaison Officer, Cork County Council (Ireland). Principal co-ordinator of EUROSUNET as the city of Cork was the project-leader. Also, chief local co-ordinator for Cork's participation in EUROSUNET.

Farguell, J. (31-03-1998).

Mayor of the Berga (Spain) and President of the local county council. His positions as Mayor and County President rendered him responsible for co-ordinating the participation of Berga in EUROSUNET.

### **EU oriented local authority organisations**

Christofidou, T. (06-03-1997).

Manager of the EU Relations unit of the Council of European Municipalities and Regions (CEMR). Co-ordinator of the MED European programme that is administered by CEMR. Miss Christofidou assisted in the identification of appropriate case-studies for further research and provided important information on the issue of European urban diversity from her experience in CEMR.

Frischmann, D. (06-03-1997).

Member of the EU Relations unit of the Council of European Municipalities and Regions in Brussels. Mr Frischmann presented an overall picture of the administrative structures of the EU urban programmes and clarified the standpoint and work of the CEMR on the issue of the European urban diversity.

Vlandas, G. (10-03-1997).

Principal Administrator of the Inter-regional Co-operation Unit, DG XVI. Mr Vlandas presented information and internal DG XVI reports that were of significant importance regarding the selection of case-studies.

Holland-Letz, S. (18-2-1997).

Member of the German section of the Council of the European Municipalities and Regions. Miss Holland-Letz (one of the initial contacts of the fieldwork) provided general information about EU urban programmes and suggested key informants in Brussels. (Written correspondence).

Purgiotis, L. (10-04-1997).

Manager of the Greek Corporation for Local Development and Administration (EETAA). This public body is a platform for the representation of the interests of Greek local authorities. Also it is a member of the Council of the European Municipalities and Regions that administers EU urban programmes from Brussels. The interview inquired into his experience on the issue of the European urban diversity.

Bloomfield, J. (13-02-1998).

Chief of the European and International unit of the Birmingham City Council Policy Division. Birmingham has established an office in Brussels since 1984. The interview inquired into the functions of this office as well as about the rationale behind the launch of the 'Birmingham Future Strategic Plan' document that has a strong EU orientation.

## Appendix 2

### Appendix 2-A: The principles of the 1988 Reform of Structural Funds

#### The concentration of activities

In the attempt to rationalise intervention and utilise the utmost of the Funds' resources and other Community financial instruments (mainly the EIB), Article 1 of the reformed regulations stated five priority Objectives.

Objective 1: focusing on improvements in infrastructure and investment in human capital in areas with per capita GDP (at NUTS II level) less than 75 per cent of the EC average, high rates of unemployment and heavy dependence on low productivity agriculture. Objective 1 covered 21.5 per cent of the Community's population<sup>1</sup> and relied mainly on ERDF resources.

Objective 2: promoting the conversion of areas seriously affected by industrial decline and the tapping of local potential through the promotion of small and medium sized firms for the tackling of unemployment. Excluding Ireland, Greece and Portugal, 60 urban-regions (at NUTS III Level) were defined as eligible, covering 16.3 per cent of the EC population, with a substantial share for the UK.

Objectives 3 and 4: addressing long-term unemployment and facilitating the occupational integration of young people. These Objectives are more horizontal in character, mobilising the resources of the ESF on nationally-based Operational Programmes.

Objective 5: promoting the reform of the agricultural sector through two targets:

5(a): the adjustment of agricultural production and marketing structures through the mobilisation of resources from the Guidance section of the CAP and,

5(b): the development of rural areas displaying eligibility criteria similar to those of Objective 1 regions. This Objective (at NUTS III or exceptionally NUTS II level), covered 5 per cent of the EC population and mobilised 5 per cent of the Funds' resources (CEC, 1987-b, pp.4-6; CEC, 1989-a, pp.13-4; CEC, 1990-a, pp.2-4; CEC, 1991-b, p.59; CEC, 1992-d, pp.12-8).

The overall population coverage remained at the level of 40 per cent of the EC population. However, the European Council decided that by 1993 (1992 for Objective 1) the amount available to the Funds would double in real terms that of 1987 (Article 12), while based on the 'concentration' principle, the four less developed EC Member States (Portugal, Greece, Ireland and Spain) would receive 78 per cent of the ERDF assistance<sup>2</sup> (CEC, 1989-a, p.68; CEC, 1990-a, p.2; CEC, 1992-d, p.12).

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<sup>1</sup> Namely, the whole of Ireland, Greece and Portugal, 70 per cent of the territory and 58 per cent of the population of Spain, as well as parts of Italy (Mezzogiorno), France (Corsica and the overseas departments), and the UK (Northern Ireland).

<sup>2</sup> The structural Fund's contributions in Portugal Greece and Ireland, for instance, increased substantially during the period - reaching approximately 3 per cent of the GDP in 1993 - while from the



### **Programming and Co-ordination of action**

Focusing on Objectives 1, 2 and 5(b), a three stages process of action was introduced:

i) Allowing an exception for large-scale projects, the system of individual projects was replaced by multi-annual (three- to five-year) development programmes proposed by the Member States' national or local authorities in accordance with the subsidiarity principle (Article 8). The Commission, assesses the proposals (Article 14) and forms, "in partnership with" the Member State's relevant authorities a national - or a number of regional - Community Support Framework(s) (CSFs), comprehensive policy-plans with specific targets.

ii) The implementation phase of plans took the form of Operational Programmes that promoted an 'integrated' policy approach or, the synergy of all possible partners and Structural Funds (Article 13).

iii) The establishment of 'monitoring committees' (Article 26), aiming to evaluate the programmes, an assessment that could lead, given the consent of the Member State, to the re-orientation of the targets of Operational Programmes (CEC, 1987-b, pp.15-6; CEC, 1988-b, pp.24-37; CEC, 1989-a, pp.77-8 and 83; CEC,1992-d, pp.22-3).

### **2.2 Community Initiatives**

Whereas the CSFs are based on development plans proposed by the Member States, Article 11 of the Co-ordinating Regulation stated that "the Community may on its own initiative, ...decide to propose to the Member States that they submit applications for assistance in respect of measures of significant interest to the Community" (CEC, 1989-a, p.78). Article 3(2) of the ERDF regulated the Initiatives under this fund, while Article 1(2) of the ESF and Article 8 of the EAGGF provided the framework for Community Initiatives in those Structural Funds<sup>3</sup> (CEC, 1989-a, pp.89 and 94 and 99; CEC, 1991-b, p.11).

Even though the regulations governing the structural Funds did not specify the resources set aside for Community Initiatives, the means earmarked for this form of Community action amounted to 9 per cent of the total appropriations of the Funds for the period 1989-93<sup>4</sup> (CEC, 1989-a, pp.68 and 93 and 99; CEC, 1991-b, p.64).

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remaining Objective 1 areas only Spain displays a considerable increase in ERDF funds, reaching the 0.8 of the GDP the same year (CEC, 1991-b, pp.25-6 annex).

<sup>3</sup> The main Community initiatives for the 1989-93 period, starting with the ones introduced since the 1984 reform of the ERDF and were included in the reformed framework are: STAR (1987-91), VALOREN (1987-91), RESIDER (1988-92), RENAVAL (1988-92), RECHAR (1989-93), ENVIREG (1990-93), STRIDE (1990-93), INTERREG (1990-93), REGIS (1990-93), REGEN: (1990-93), PRISMA (1991-93), TELEMATIQUE (1991-93), LEADER (1991-93), EUROFORM/ NOW/ HORIZON (1990-93); (see CEC, 1991-b, pp.1-6, chapter 7; CEC, 1991-c, pp.68-70; CEC, 1993-e, annex, pp.26-32).

<sup>4</sup> The financing of the Community Initiative derived from the 15 per cent of the resources of the ERDF that was not allocated to Member States, the 5 per cent of the resources of the ESF and 1 per cent from the EAGGF The distribution of resources would cover both the Community initiatives that started in the

## **Appendix 2-B:**

### **The 1993 reform of the Structural Funds' Regulations**

#### **Priority Objectives**

The distinction between the regionally defined Objectives (1, 2 and 5b) and the ones that cover the whole of the Community (3, 4, and 5a) remained. The revised regulations also did not amend the definition and eligibility criteria for Objectives 1 and 2<sup>5</sup>. In order to improve effectiveness, however, Objective 1 employed a more flexible approach that allowed the inclusion of 8 regions not strictly fulfilling the GDP per head criterion while it simultaneously broadened its measures to include education and health in its targets. Objective 2, in turn, extended assistance into urban communities with high unemployment rates<sup>6</sup> and problems related to de-industrialisation and derelict industrial sites (CEC, 1993-b, pp.51-2; CEC, 1994-e, p.128).

#### **Additionality and Monitoring**

The difficulties recognised by the Commission in the implementation of 'additionality' resulted in more stringent procedures in the revised framework. As defined by Article 9 of the Co-ordination Regulation, "the Member State maintains in the whole of the territory concerned, its public structural or comparable expenditure at least at the same level as in the previous programming period", allowing, though, for specific economic circumstances like privatisations, business cycles in the national economy and high public-spending obligations running still from the former operational phase (CEC, 1993-b, pp. 25 and 63).

The revised regulations put also emphasis on the appraisal, monitoring and evaluation stages of structural operations. Article 26 of the Co-ordination Regulation stated that

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1987-88 period and the introduction of Community Programmes for the 1989-93 period budget (CEC, 1989-a, pp.68 and 93 and 99; CEC, 1991-b, p.64).

<sup>5</sup> Objective 3 combined the tasks of what was previously defined as Objectives 3 and 4, aiming also at "facilitating the integration of ...those threatened with exclusion from the labour market", while the policy orientation of Objective 4 shifted into facilitating workers' adaptation to industrial changes and to changes in production systems. Objective 5(a) incorporated the new Financial Instrument for Fisheries Guidance in its targets and Objective 5(b) maintained the goal of the structural adjustment of rural areas - outside Objective 1 regions - with a low level of socio-economic development assessed now on the basis of GDP per inhabitant, high share of agricultural employment and low population density (CEC, 1993-b, pp.11 and 53 and 54). The consequent accession of the two Nordic countries (Sweden and Finland) resulted in the establishment of a new target (Objective 6) defined at NUTS II level for regions with outstandingly low population density. Objective 6 was revised in 1999 together with the Structural Funds while in the meantime aid to these areas was regulated through a protocol in the Treaty of Accession that defined also the eligible regions. The third country that entered the EU with 1995 enlargement, Austria, has only one region which qualified for Objective 1 assistance, representing 3 per cent of the country's population. Since the German unification the East Berlin and the New German Länder with 16.4 million inhabitants qualified also for Objective 1 assistance (CEC, 1994-e, pp.130 and 132-3; CEC, 1999-d).

<sup>6</sup> At least 50 per cent above the Community average.

assistance was to be allocated only where appraisal shows medium-term economic and social benefits in line with the economic and social cohesion targets, while ex post evaluation would be carried out by contrasting the goals with the results obtained (CEC, 1993-b, p.69).

### **Programming**

The CSFs structures did not alter substantially. In order to enhance flexibility, the programming procedures for Objectives 1-4 and 5(b) permitted the submission of Single Programming Documents (SPDs) by the Member States, comprising of the respective development plan and the relevant applications for Community support (Article 5 of Co-ordination Regulation - CEC, 1993-b, pp.22 and 62).

A more subtle change in the 'programming' regulations is indicative of the influence of the EMU procedures to the orientation of the spatial policy framework. The Regulations specified an operational period of six years for the Structural Funds so that the end of the 1994-99 programme would coincide with the economic and monetary plans of the Treaty.

### **Innovative measures under the ESF, EAGGF and FIFG Regulations**

According to Article 6 of the ESF regulation the Fund may finance outside the CSFs different types of innovative measures, technical assistance and pilot projects in the field of vocational training in the Member States or at Community level up to a limit of 0.5 per cent of its annual allocations (CEC, 1993-b, pp. 82-3). Based on the guidelines of the White Paper on 'Growth Competitiveness and Employment', the 32 projects approved for assistance in 1995 focused on improving the operation of the labour market and on seeking a model of growth which generates more employment (CEC, 1995-a, p.97). Similarly, a provisional list of 61 projects was drawn up in 1996, while contributions and technical assistance was granted in the selection of projects for particular Community Initiatives (EMPLOYMENT and ADAPT), and in conjunction with Article 10 of the ERDF for the integration of the 'information society' concept into the regional policy framework (CEC, 1996-a, p.177).

Finally, preparatory and monitoring measures, technical assistance, studies and pilot projects relating to their field of interest were financed under Article 8 of the EAGGF Regulation, using up to 1 per cent of its annual budget, and Article 4 of the FIFG Regulation devoting a maximum of 2 per cent of its annual appropriations (CEC, 1993-b, pp.43 and 86).

## Appendix 2-C:

### The 1999 Reform of the Structural Funds

#### The revised 'Concentration' Principle

Following calls for “increased visibility and efficiency” in structural policies (see CEC, 1997-k, p.16) three priority objectives have been established for the 2000-06 period.

a) Objective 1 remained unchanged and integrated the previous Objective 6, focusing on “the development and structural adjustment of regions whose development is lagging behind”<sup>7</sup> (CEC, 1999-c, p.7).

b) A new Objective 2 was established which brings together the previous Objectives 2 and 5b and “supports the economic and social conversion of areas facing structural difficulties”<sup>8</sup> (CEC, 1999-c, p.7). The new Objective 2 covers 18 per cent of the Community’s population (with population ceilings for each member state), while 10 per cent of its population coverage is reserved for industrial and service areas and 2 per cent explicitly for urban areas<sup>9</sup> (CEC, 1999-c, pp.3 and 8). Integrated urban development actions are proposed “as an integral part of regional plans and operational programmes [*which*] ... would thus be expected to go beyond a merely sectoral formulation of regional action [*to*] ... organise an explicit integrated package of measures for these urban areas as part of the regional strategy” (CEC, 1999-b, pp.9-10).

c) Also, a new objective 3 was created which integrates the previous Objectives 3 and 4 and “supports the adaptation and modernisation of education, training and employment policies and systems” (CEC, 1999-d, p.5).

#### The revised 'Partnership' Principle

While the 1993 reform of the Structural Funds extended the ‘partnership’ principle to include “competent authorities [*as well as*] ... economic and social partners designated by the Member State at national, regional, local or other level”, criticisms occurred at the Commission level that this regulation was not effectively implemented and that “not all partners were always involved” (CEC, 1993-b, p.48; CEC, 1999-d, p.16). Addressing these criticisms the revised regulations reaffirmed the partnership principle, requiring, however, the Member States to “designate a single managing authority responsible for supervising the

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<sup>7</sup> Article 1(1) of General Principles - CEC, 1999-c, p.7

<sup>8</sup> Article 1(2) of General Principles - CEC, (1999-c), p.7.

<sup>9</sup> As described in Article 14 of General Provisions and 4(2) of General Principles (CEC, 1999-c, pp.3 and 8). There are four criteria defining the urban areas eligible for assistance under Objective 2 including: i) a rate of long term unemployment higher than the Community average; ii) a high level of poverty, including precarious housing conditions; iii) a particularly damaged environment; iv) a low level of education amongst the population (Article 4[7] of General Principles – CEC, 1999-c, p.9).

implementation, ongoing management and effectiveness of the programme”<sup>10</sup> (CEC, 1999-c, pp.6 and 11; CEC, 1999-d, p.17). According to the subsidiarity principle, it is the lowest tier of government at the national level that should be assigned this responsibility (Council of Europe, 1994-a, pp.8 and 29). The revised Regulations, however, specified that partnership arrangements and the designation of the single managing authority for the implementation of the programme will be constructed “according to the national rules and practice [and] ...at the appropriate territorial level according to the arrangements specific to each Member State”<sup>11</sup> (CEC, 1999-c, pp.11-2).

### Community Initiatives and URBAN

The new regulations limited the number of Community Initiatives to four, namely, INTEREG, URBAN, LEADER+ and EQUAL, allocated a total of 5.35 per cent of the Structural Funds budget<sup>12</sup> (CEC, 1999-c, p.20-1; CEC, 1999-d, p.19). The continuation of URBAN in the new programming period comes as a further recognition of the increasing interest in and importance of urban issues in structural policies. The original proposals for the reform as presented in ‘Agenda 2000’ did not incorporate URBAN (CEC, 1997-k, p.19). The justification for this move was the “mainstreaming” of the URBAN targets and methods in the new Objective 2 areas (CEC, 1998-c, pp.5-6). During the debate between EU institutions on the content of the proposed regulations, however, the Committee of the Regions, the Economic and Social Committee, local government associations (Council of European Municipalities and Regions) and individual cities argued for the extension of URBAN into the new programming period (CEC, 1999-b, p.1; CEC, 1998-c, p.5). The “continuation of the URBAN Community Initiative was ...the final compromise reached with the Council” regarding the approval of the 1999 reform of structural measures by the European Parliament (CEC, 1999-e).

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<sup>10</sup> Article 47 of General Provisions and Article 8 of General Principles – CEC, 1999-c, pp.6 and 11; CEC, 1999-d, p.17.

<sup>11</sup> Organisation Regulations – Article 8 Paragraphs 1 and 3 (CEC, 1999-c, pp.11-2).

<sup>12</sup> Article 20 - Community Initiatives (CEC, 1999-c).

### Appendix 3

#### Thematic aspects and sectoral focus of RECITE networks (1993-97)

	Technology transfer	Transport	Training	Environment	Assistance to SME's	Energy	Public Administration	Information Technology	Planning	Local Economic Develop.	Social Exclusion	Growth Sectors	Vulnerable Sectors	Agriculture	Tourism
Euroceram	■									■			■		
Hydre	■			■		■									
Euristes		■						■				■	■		
Roenord	■			■											■
Dyonisos			■											■	■
Ecowat	■			■		■									
Scientific Centres			■		■			■							
Finatlantic Coast				■	■							■			■
Environet			■	■											
Sealink		■						■		■					
Demilitarised Technology Transfer	■							■		■					
Rebuild				■		■									
Resigmur			■				■	■	■						
Idee			■		■			■			■				
Compostela Foret			■	■										■	
Eurosynet			■	■	■		■		■	■					■
Eur. Urban Observatory	■						■	■	■						
Economic Co-operation			■	■	■			■		■					
Strategic Planning				■	■				■		■				

**Source:** CEC, 1996-b, p.5

## The EUROSUNET projects

### Local Development Initiatives Working Group

The first sub-programme of the Local Development Initiatives working group, titled 'Business Exchanges', aimed to assist the competitive position of SMEs through the development of co-operation arrangements and alliances between similar companies from the five EUROSUNET cities (CEC, 1996-e, p.9). It supported financially the participation of targeted SMEs in trade-fairs and exhibitions organised by the EUROSUNET partners. The events were considered by the organisers as means to promote sub-contracting opportunities and distribution arrangements between the SMEs involved (Pizer, M. 02/10/1997 – interview). During the 1992-94 period 6 'business exchanges' were organised in Charleroi (1992), Warrington (1993), Manresa (1993), Bethune (1993), Warrington (1994) and Cork (1994). Each partner was invited by the organisers to send an arranged number of SMEs<sup>13</sup> from an industrial sector relevant to the exhibition's theme. Interaction between firms was assisted through meetings, seminars and conferences that required the active participation of both visiting and host SMEs (CEC, 1996-e, pp.9-17).

The second sub-programme, titled 'Public Procurement Seminars', consisted of the organisation of two conferences (Cork 1992, Warrington 1993), aiming to inform SMEs from the five EUROSUNET cities on market opportunities arising from the opening up of the public procurement market under the Internal Market Programme (CEC, 1996-e, p.21-2).

Third, the objective of the 'Market Study Visits' sub-programme was to assist companies from the five cities - particularly pre-exporters and SMEs - to examine and compare the suitability of their products and services with the view of facilitating their business expansion in the Single Market. From the perspective of the companies involved, Market Study Visits regarded the identification of new technologies and market trends, the targeting of potential partners and distributors in export markets, as well as the location of sources of raw materials and components (Costello, K. 12/11/1997 – interview). A total of four Market Study Visits were arranged during the programme period based on the assisted participation of SMEs in selected major industrial fairs<sup>14</sup> (CEC, 1996-e, pp.18-20).

An important outcome of this particular working group was the publication of a 'best practice' for the organisation of relevant projects, focusing on the experiences gained from the 'Business Exchange' and 'Market Study Visits' sub-programmes (CEC, 1996-e, p.26)

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<sup>13</sup> Between six and eight SMEs were invited from each partner to the exhibition (CEC, 1996-e).

<sup>14</sup> These were: the 'Interpack' fair (Dusseldorf 1993) focusing on the packaging industry and attended by a total of 24 SMEs for the partner areas; the 'Anuga' fair (Cologne 1993) focusing on the food industry and attended by a total of 30 SMEs from the EUROSUNET programme; the 'Hanover Mese' engineering and machinery industry fair (1994) attended by a total of 26 SMEs; and, finally, the 'IPSO' sports and leisure sector fair (Munich 1994) attended by 25 SMEs and officials from the partner areas (CEC, 1996-f, p.19).

The total expenditure of the Local Development Initiatives working group was 1.1 million ECUs out of which the partners contributed 492,292 ECUs (CEC, 1996-e, p.30).

#### Working group on tourism

Two key objectives were agreed at the initial meeting of this working group. First, the development of 'Tourism Promotion' initiatives in the partner areas and, second, the formulation of a 'Tourism Development and Marketing Model' and the consequent application of the model to one of the network's cities<sup>15</sup> (CEC, 1996-g, p.4).

Active measures entailed the participation of the network's cities in seven major tourist fairs during the 1992-95 period<sup>16</sup>. In order to exploit further the opportunities that these events offered for the generation of economic activity between the partners in the tourism sector, a series of meetings and workshops were organised at the festivals sites involving the participation of business representatives from the partner areas<sup>17</sup>. This endeavour was also addressed and assisted from the Local Development Initiatives Working Group as part of its 'Business Exchanges' sub-programme (Hoyle, K. 02/10/1997 – interview; CEC, 1996-g, p.9).

The development of a 'Strategic Tourism Planning Model' was the second area of action of the Tourism Working Group. The document that was created provides a wide perspective of action plans, objectives and policy recommendations relevant with tourism promotion strategies at the local level (CEC, 1994-g). Even though the production of the Tourism Planning Model was seen as an end in itself for the purposes of EUROSUNET, there was a consequent attempt for its practical application in Bergueda (Hoyle, K. 02/10/1997 – interview; CEC, 1996-g, p.7).

The total expenditure of the Tourism Working Group amounted to 449, 512 ECUs of which the partners contributed 155,478 ECUs (CEC, 1996-g, p.15).

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<sup>15</sup> A further objective of the 'tourism' sub-programme was the undertaking of particular feasibility studies in each partner's area involving input and assistance from the other partners. The intention was that each Study Report would be developed to the stage where it could be advanced for funding by other sources. The five 'Tourism Projects' promoted include a survey of former industrial site in Bages for its possible restoration as a Heritage Tourism Attraction; a study of offshore islands in Cork aiming at their economic regeneration; the development of an economic plan for Bergueda based on the area's tourism potential; a study for the restoration of a historic building in Cork; and, finally, a plan for the re-development of a former Air Force Base in Warrington to a Museum/Heritage Centre and International Business Centre (CEC, 1996-g, pp.11 and 19).

<sup>16</sup> These were the Rennes Fair, the G-Mex, in Manchester, the Holiday World in Cork, and the SITC in Barcelona (CEC, 1996-g, p.5 and 14).

<sup>17</sup> The positive results of these undertakings were: the formation of a number of business contracts between tourism firms from different partner areas; the production/publication of a 'best practice' guide for similar events; and, the development of a brochure in a common format for the promotion of tourism in Bergueda, Cork and Warrington (CEC, 1996-g, p.9).



### Planning and the Environment Working Group

The promotion of two projects were agreed under the 'Planning and the Environment' programme. The first was relevant to the issue of 'Contaminated Land' while the second entailed an examination of the relations between 'Economic Development and Environmental Policy' (CEC, 1996-f, p.3).

The Contaminated Land project was initiated through a number of site-examinations for the identification of the extent of the problem in the partner areas. Following the completion of the survey, a conference meeting was organised at Warrington (1993) focusing on the treatment of different types of land contamination. The joint undertaking of a case-study of an old foundry site in Charleroi, the part-funding of a case-study in Bergueda (in co-operation with the Catalan Government), and the compilation and publication of a 'best practice' in approaching the investigation of contaminated land sites were the main outcomes of this part of the project (Farguell, J. 31/03/1998 – interview; CEC, 1996-f, pp.5-6).

The second project of this Working Group - inquiring into the impact of environmental policy on economic development - was launched simultaneously in all the EUROSUNET cities through a questionnaire survey of industrial firms. The findings of the survey were presented in 1993 at a conference in Cork (Costello, K. 12/11/1997 - interview). Other issues addressed at this conference include the 'Practical Application of Agenda 21' and, most importantly, the preparation of an Environmental Audit Model aiming to function as a 'best practice' guide and a baseline against which to assess the progress and economic impact of local environmental policies and practices (CEC, 1995-g, p.5-7).

The total expenditure by the Planning and Environment Working Group amounted to 459, 525 ECUS of which the partners contributed 147, 711 ECUS (CEC, 1996-f, p.16).

## Appendix 4

### RECITE - SCIENTIFIC CENTRES projects

#### Research and training

The 'research and training' phase of the programme consisted of lectures on advanced computer architectures and advanced numerical methods for HPC. The first training course took place in September 1992 at CERFACS in France, followed by the organisation of further events in Valencia (1992) and Bilbao (1993), organised by the local university departments. The participants were students and specialists from the universities involved, as well as local industries interested in HPC projects (Castellet Marti, J.M. 1998-interview; CEC, 1993-g, annex 1-6).

Further than the lectures, a period of training on the industrial applications of HPC was provided, culminated through the joint publication of various research projects conducted during the programme period, and by the participation of the network's research centres in relevant EU programmes (CEC, 1995-f, pp.2-3 - Rapport d' Activities). This part of the training period lasted two years (until December 1994) and took place at CERFACS in Toulouse. An important outcome of this phase of the network's activities was the publication of a detailed report by CERFACS with recommendations for the organisation of a HPC training period, an action in line with the Commission's stated target regarding the diffusion of know-how through the European networking programmes (CEC, 1995-f, Appendix 3).

#### Joint projects

The aim of the 'joint projects' phase of the programme was to put into practice the 'research and training' period and to find avenues for financial support that would allow the continuation of the project after the end of the RECITE programming period. For this reason, the 'joint projects' phase launched a 'call for proposals' in order to, first, attract the interest of the wider relevant scientific community in Europe and, second, to involve in the organisation and financing of the programme the industrial sectors interested in HPC (Cros, P.H. 09/10/1998 - interview). The six projects selected<sup>18</sup> after the 'call for proposals' were co-ordinated by the University of Valencia under an operational framework titled 'Introducing

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<sup>18</sup> These were: the 'GPMIND-2' project which tested a European Parallel Computer and developed training around this machine; the 'Finite Elements Structures' project led by the NTUA; the 'CFD and Iterative Methods' project led by CERFACS; the 'Parallel Aero' project led by CERFACS; the 'Visualisation on Parallel Architecture', project led by CERFACS; and the 'High performance Computing in Multi-body Analysis for Two Wheelers Suspension Design', led by PIAGGIO and involving CERFACS and CEIT (CEC, 1995-f, p.3 - Rapport d' Activities).

High Performance Computing in SMEs'. The publication<sup>19</sup> that followed attempts to demonstrate the benefits of HPC in relevant industrial sectors (CEC, 1995-f, p.4 - Rapport d' Activities).

The second most important outcome of the 'joint projects' phase was the establishment of a 'Telematic' computer network among the universities/research centres, providing access to the libraries and to on-going research activities in these centres. A terminal with direct access to the research centres was installed in each one of the offices of the urban/regional authorities that participated in the project. In order to promote this target new infrastructure was required at the European level. The implementation of the 'Telematic' project involved the European Space Agency (ESA) regarding the creation of a satellite link between the participating areas, and the France Telecom regarding the promotion of the numerical link solution (CEC, 1995-f – Appendix 7).

## **Appendix 5**

### **Appendix 5-A: The Projects of Amsterdam URBAN**

#### **The area under examination/socio-economic characteristics**

Aiming to address the housing-shortage faced by the city during the 1950s and 1960s, the area of Bijlmermeer represents the major planning attempt of the city of Amsterdam in the post-war period. Bijlmermeer was built according to the concept of the 'Functional City' drawn by the Swiss architect Le Corbusier: a city in which living, work, traffic and recreation are spatially set apart from each other (CEC, 1995-i, URBAN file No 34; Southeast City District, 1997). Similar to the 'new town' examples of Paris and Sheffield, the model chosen for the 13,000 residential units that were built in the area between 1966-1977 was that of the honeycomb. Ten-storey deck-access apartment blocks were arranged in hexagonal patterns, providing the opportunity to create park-like internal open spaces (Southeast City District, 1994, pp.9-11).

However, since the late 1970s a number of problems in the area became increasingly apparent: a high level of unoccupied flats and a deteriorating living climate; a high annual moving rate approaching an average of 27 per cent of the residents of the area; issues related with drug abuse and manifestations of social discontent (graffiti, vandalism); the high unemployment rates and the low educational levels of the population. Both of the last two reasons are particularly prominent amongst the - first and second generation - ethnic

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<sup>19</sup> This is a central document of the network's work and has been published under the aegis of the RECITE series: 'A tool for Regional Development' (CEC, 1995-f, p.4 - Rapport d' Activities).

minorities<sup>1</sup> present in Bijlmermeer that constitute 50 per cent of the inhabitants of the district (CEC, 1995-i, URBAN file No 34; Southeast City District, 1997; Storteboom, J. 06/07/1998 – interview).

### **The targets of the broader plan for intervention in Bijlmermeer**

a) Spatial/physical renewal, focusing on homes, shopping centres and the radical adaptation of physical infrastructure. In detail, 3,000 high-rise dwellings (25 per cent of the total housing stock in Bijlmermeer), is to be demolished and consequently replaced by mainly low rise constructions, while improvements in the appearance and maintenance of the remaining blocks of flats is programmed<sup>20</sup>. Furthermore, a home-ownership scheme is planned according to which one third of the dwellings in the area will be sold to the present renters or other interested parties.

b) Management renewal, concentrating on the creation of local institutions that would enhance the co-operation processes between the District Council, the Police, the Housing Corporation and the residents. The main target of this category of measures revolves around the upgraded involvement of residents in both the spatial regeneration processes in the area (resident's participation in the architectural intervention committees) as well as in everyday issues regarding the running of the district, (such as the supervision of flats, streets and metro stations).

c) Socio-economic renewal, focusing on the areas of education and employment. The expansion of employment opportunities in Bijlmermeer is pursued through both the stimulation of endogenous economic development processes as well as through attempts for the attraction of investment in the region. Central in this endeavour is the issue of vocational training aiming to upgrade the qualifications of the local labour force. This is the operational area of the Amsterdam URBAN programme (Storteboom, J. 06/07/1998 – interview; CEC, 1995-i, URBAN file No 34; Southeast City District, 1994).

### **The Amsterdam URBAN targets**

- |   |
|---|
| <ul style="list-style-type: none"><li>a) improvements in the living and working environment,</li><li>b) establishment of new cultural and sports facilities in Bijlmermeer,</li><li>c) improvement in the quality of life offered in the area with emphasis on the aspect of the 'feeling of safety',</li><li>d) creation of new employment through the institute of Small and Medium-sized Enterprises (IMK), and the stimulation of entrepreneurship,</li></ul> |
|---|

<sup>20</sup> Also a number of raised roads in Bijlmermeer will be lowered while half of the existing car-parks will be demolished in order to be adapted to the new roads and shopping-centres (Storteboom, J. 06/07/1998 – interview; Southeast City District 1994)

- e) increase of job opportunities for residents by means of vocational guidance and work experience projects,
- f) development of new school facilities and infrastructure,
- g) design of new educational programmes at the school-level aiming to vocational training,
- h) improvement in the environment and increase of recycling goods,
- i) promotion of the social and political engagement of residents in local affairs.

Sources: (Southeast City District, 1997-a; Storteboom, J. 06/07/1998 – interview).

### **The Projects of URBAN-Amsterdam**

Under the nine targets proposed under Amsterdam URBAN programme, eight projects were selected by the relevant committees for implementation by July 1998 - the time of the thesis fieldwork in the city. The following presentation of the projects includes also the co-financing arrangements of 2 of them in order to provide the thesis with an indication of the number of partners involved in each project:

Project Grunder. The Grunder blocks of flats with problem indicators above the average in Bijlmermeer - 96 per cent of the population are migrants of 33 different nationalities, high unemployment, illiteracy and moving out rate - has been chosen as a pilot project for a new scheme of management and improvements in the local environment. The aim is to encourage residents' involvement in local affairs.

Project 'Otrobanda'. The police and District Council in co-operation with the local community centre and the Amsterdam Housing Association, founded a community centre in the Kraaiennest neighbourhood of Bijlmermeer, the area with the highest crime rate in the district. The aim was to offer a distinct group of residents - accused of creating a feeling of unsafeness in the area - a place of their own in order to both 'relax' the atmosphere in the streets and to provide consultation on an individual basis. The running of the community centre, based on experiences from probation and after-care organisations, has led to new job opportunities.

Animal Farm Gliphoeve. The re-arrangement of 6,000 square feet of public space created an animal farm and a new educational centre in the area.

Public Comprehensive School Bijlmer. The concept of the 'integrated school' - an institution that would offer facilities for the entire community - was promoted through URBAN. The school was equipped with a new studio for music lessons, a new community theatre as well as with a multimedia section aiming to introduce Information and Communication Technology to students in the after-school hours (Southeast City District 1997; Storteboom, J. 06/07/1998 - interview).

Training Project for School Dropouts. The URBAN funds supported a scheme organised by the Regional Training Centre of Amsterdam aiming to provide 15-18 year old school-leavers new opportunities in vocational training. Particular attention is given to aspects such as self-support, social skills, job applications and interviews. In co-operation with the vocational schools of Bijlmermeer, the Regional Training Centre of Amsterdam has generated links with various trade organisations in the area introducing students to practical aspects of the profession they choose. The scheme supported 300 students.

Project 'Fort Kraaiennest'. A total of 3,300 square metres of public ground was re-arranged creating a playground with sport facilities in a pedestrian zone. The area is supervised by the local community centre.

Financial outline of 'Fort Kraaiennest' Project

<b>Funds via URBAN</b>	<b>percentage</b>
European Community (ERDF)	32
National Government	14
<b>Co-Funds</b>	
Ministry of Justice	2
City District Southeast	18
Private co-funds	34
<b>total</b>	<b>100 (546,184 Dfl)</b>

Sources: (Southeast City District 1997; Storteboom, J. 06/07/1998 – interview).

Starting a Business in the Southeast. The project was organised by the Institute for Small and Medium Sized Enterprises and the Bijlmermeer Job Centre with the aim to assist long term unemployed residents in setting up their own business. It involves 100 participants, 24 of which had received the basic training by 1998 and managed to create their own enterprise in different business sectors.

Financial outline of project 'Business in the Southeast'

<b>Funds via URBAN:</b>	<b>Percentage</b>
European Community (ESF)	31,6
National Government	10
<b>Co-funds:</b>	
Participants' Benefits	46
City District Southeast	1
RBA/Job Centre Southeast	6,8
Municipal Social Services	4,3
Participants' contributions	0,3
<b>total</b>	<b>100 (948, 300 Dfl)</b>

Sources: (Southeast City District 1997; Storteboom, J. 06/07/1998 – interview).

Integrated Drug Relief Scheme. A number of individual ‘drug relief’ organisations<sup>21</sup> established a centrally located collective centre in Bijlmermeer that operates on a 24 hour basis providing assistance and advise to 200 registered members (Southeast City District 1997; Storteboom, J. 06/07/1998 – interview).

## **Appendix 5-B: The projects of Birmingham URBAN**

### **Socio-economic characteristics of the area**

The unemployment rate is 38,1 per cent of the local labour force while particular streets in the community present figures of 75 per cent male unemployment (Birmingham City Council, 1997, p.1). Despite the presence of three adult education colleges in the area (South Birmingham College, the Sixth Form College and the Matthew Boulton College), the unemployment situation is exacerbated by the low-skill base of the local labour force and the below average performances of the local schools<sup>22</sup>. Furthermore, the ‘image’ of the community is very poor. Three quarters of the properties have been designated by the city council as in need of ‘urgent improvement’, while the area faces also problems related to prostitution, drug related issues and high recorded crime rates (Birmingham City Council, 1994, pp.2-3 and 11).

### **Projects of Birmingham URBAN**

#### **Business Development and Diversification**

This measure focuses on the provision of infrastructure and business support in order to encourage the development of SMEs in the area. The actions promoted under the ‘Business Development and Diversification’ title are summarised next:

- a) Research into business requirements for additional space (land and buildings) and into the identification of opportunities to provide this.
- b) The encouragement of investment from local business in the area, aiming also to the provide grants assisting SMEs investment in new equipment.
- c) The support of community safety schemes (installation of CCTV cameras, the expansion of partnership arrangements between residents, the police and the local business community).

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<sup>21</sup>Such as the ‘Lellinek Clinic for Alcohol and Drug Abuse’, and the ‘Help for the Homeless’ (Southeast City District, 1997).

<sup>22</sup> The proportion of students attaining A to C grades in their GCSE examinations is 9,8 per cent compared to the 27 per cent average record of the whole Birmingham city (Birmingham City Council, 1997, p.2).

d) The provision of advice to job seekers and the involvement of local businesses in vocational training partnership structures.

In this context, a number of explicit targets have been set up acting as indicators of the success of the above actions. These include – among others - the creation of 2 vocational training centres, improvements in 1,000 sq. m. of workspace, the creation of 1,000 jobs, the direct assistance of 200 SMEs and, finally, the increase of the total number of SMEs in the area from 354 to 400 by the year 2001 (Birmingham City Council, 1997, pp.14-7; Hubbard, S. 19/01/1998 – interview).

### Training

Actions promoted under this measure seek to improve the economic performance of the area and attract further investment by upgrading the skills and employability of the local labour force. Particular emphasis was placed on the link between ‘training’ and ‘work opportunities’ in the wider Birmingham labour market, as well as on the use of vocational training as a means for the support of ‘community organised schemes’ in the Sparkbrook area. The actions promoted under the ‘Training’ title are summarised next:

- a) The establishment in partnership with community organisations of a ‘Neighbourhood College’ for vocational training and new training centres in prominent community buildings supported by a variety of facilities (such as childcare).
- b) The development of pre-vocational and vocational training courses with emphasis on Information Technologies. Also, the creation of training courses aiming to develop language skills (and other cultural assets) into marketable skills. Furthermore, courses on construction linked to community-based renovation projects.
- c) The development of facilities in 14 school that would train Sparkbrook residents as teachers in vocational training courses.

As a direct result of the above actions a total number of 800 local people received vocational training during URBAN (Birmingham City Council, 1997, pp.18-21; Hubbard, S. 19/01/1998 – interview).

### Community Development and Local Enterprise

This measure aims to foster partnership arrangements with all agencies operating in the area (Government Office, Birmingham City Council, public service providers and Sparkbrook voluntary community organisations) in order to ‘assist informed decision making’, enhance the local capacity to address community problems, encourage local enterprise and develop projects that address the specific needs of the area. The actions promoted under this title are summarised next:



- a) The creation of support mechanisms and institutions that enable community groups to form proposals on local socio-economic development, with emphasis on employment. The approach includes the setting up of a grant aid mechanism with the target of raising 5 million pounds (in addition to the URBAN funds) from outside sources to support this process.
- b) The refurbishment of a major park and other amenities for the promotion of sporting in the context of a local plan for the regeneration of recreational space and facilities.
- c) The creation of a new community facility offering training and employment services tailored to the needs of the local community (Birmingham City Council, 1994, pp.36-7; Birmingham City Council, 1997, pp.22-5; Hubbard, S. 19/01/1998 – interview).

The provisional approval by the Commission of the Birmingham-Sparkbrook URBAN programme and the ongoing negotiations (during the fieldwork period) regarding the indicative achievements of outputs points to the fact that changes have occurred during 1988 in the programme's targets not registered by the thesis. However, the negotiations include primarily the figures of the targets and not the structure of the programme, which will remain unaltered. Thus, the initial target of 'creating or safeguarding 1000 jobs' was being negotiated (during the fieldwork) to be reduced to 'the creation of 150 jobs'. Further, the initial document stated as a target to 'unlock £24 million of private funds' negotiated to be reduced to £10 million. Last, the target of "the full employment of 70 per cent of the residents attending vocational training courses within the 1997-99 period" is negotiated to be reduced to 35 per cent (Birmingham City Council, 1998; Hubbard, S. 19/01/1998 – interview).

## **Appendix 5-C: The Projects of Cork URBAN**

### **Socio-economic characteristics of the area**

The unemployment rate in Northside is 27 per cent of the local labour force (1997 figures) while the lack of job opportunities is further exacerbated by two reasons. First, by the growth in employment of non-manual sectors<sup>23</sup>, and of manufacturing sectors demanding a skilled workforce (such as the electronics industry), which now account for one third of all manufacturing employment in the wider city area. Second, by the extensive job losses of traditional economic sectors (food, textile, engineering) that, due to the unskilled character of the local labour force, acted as the main employment providers in Northside<sup>24</sup> (Cork City Council, 1997, p.11).

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<sup>23</sup> Such as commerce, public administration, professional services and personal services (Cork City Council, 1997, p.11).

<sup>24</sup> Manufacturing employment, for example, fell from 12,000 to 8,000 during the 1980s, while 20 per cent of Northside's labour force are classified as unskilled (Cork City Council, 1997, p.10-1).

Other indicators characteristic of the Northside socio-economic situation include the high rate of early school-leaving<sup>25</sup>, the poor maintenance of open spaces and public areas, petty crime and vandalism, all of which - according to Cork-URBAN action plan - contribute “to an unattractive environment for residents and a poor image of the area for potential investors” (Cork City Council, 1997, p.14).

### **Projects of Cork-URBAN**

#### **Theme 1 - Employment Opportunities for Local People**

Two projects were promoted under this theme. The ‘provision of an enterprise centre’ and the ‘development of employment in a local (Kilbarry) industrial estate’.

##### **Project 1: Provision of enterprise centre**

The project regards the construction of an enterprise centre of 20,000 sq. ft. It seeks to address capacity deficiencies in Northside regarding the supply of space for new businesses. The enterprise centre will make 15 commercial industrial units available to small businesses at subsidised rents. The employment of Northside residents in the centre is promoted by rent rebates incentives. 70 per cent of the workforce of the centre will be Northside residents (Cork City Council, 1997, pp.50-3).

##### **Project 2: Promote development of employment in the Kilbarry industrial estate**

This project aims to attract investment and generate employment opportunities in the principle location available for new industry in Northside, the Kilbarry industrial estate. The project has three targets. First, the construction of two factories by the private sector in Kilbarry. URBAN funds will be used as a rent guarantee, an incentive to the private developer to provide the space. Second, the construction of a new access route to the industrial estate. Third, the launch of a community security service policing the industrial estate (Cork City Council, 1997, pp.54-8).

#### **Theme 2 - Empower communities groups to play an active part in local development**

This theme aims to facilitate the participation of community groups in local decision-making processes and in the management of local services and activities. In a narrower context, the four projects supported under this theme focus on two particular communities of the Northside area<sup>26</sup> that have not developed community associations even though they register the highest scores in the measure of relative deprivation in the 1992 Northside studies.

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<sup>25</sup> A total of 45 per cent of the Northside residents left school at the age of 15 or below (Cork City Council, 1997, p.13).

<sup>26</sup> Knocknaheeny/Hollyhill and The Glen (Cork City Council, 1997, p.65).

### Projects 3 and 4: Provision of resource centre / Extension of Community Centre

The first project regards the provision of a multifunctional community resource centre and associated recreational facilities in Glen, an area of severe disadvantage<sup>27</sup>. Once completed, the centre will be community-managed and would provide a base for the delivery of educational, social and health care services (Cork City Council, 1997, pp.66-9). The second project aims to improve an existing community centre (Farranree) through a 235 sq. ft. m. extension that would allow new activities to be catered for (Cork City Council, 1997, pp.77-80).

### Projects 5 and 6 : Local Estate Management / Community Group Support Project

According to the first project, a total of 455 households in Knocknaheeny and 234 households in Glen will be involved in a training course in Estate Management over a three year period. The target group of the second project is neighbourhoods<sup>28</sup> without formal community representation. The aim of the project is to facilitate the establishment of local community associations (Cork City Council, 1997, 70-6).

### Theme 3 - Improve the Environment of Northside for residents and Investors

#### Project 7: Environmental Improvements in Industrial Estates

The main aim of this project is to upgrade the physical environment of the industrial estates in Northside through a co-ordinated programme of improvements involving local businesses and the Cork Corporation. The issues addressed include landscaping, boundary treatment and clean up of vacant sites within the estates. Also, an overall design for each estate will be drawn up during the URBAN period and works will be carried out in accordance with this design (Cork City Council, 1997, pp.90-2).

### Theme 4 – Training and Education

#### Projects 8 an 9: Tapping the potential of young people / Preventative education

The aim of project number 8 consists of a package of supportive initiatives for primary and secondary school students. The principle actions, which will run over a three years period, are homework-supervision and supplementary tuition. The second project regards consultation with the three main youth organisations in Cork and focuses on “a small number of young people who for behavioural/social reasons are at high risk of dropping out of mainstream education”. The project consists of a comprehensive range of support measures including the employment of a psychologist/counsellor specialised in learning difficulties, a youth social worker and a support teacher (Cork City Council, 1997, pp.96-103).

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<sup>27</sup> The Glen area is comprised of six local authority estates with over 80 per cent of adults on Social Welfare Benefits and 38 per cent of the population unemployed (Cork City Council, 1997, p.66).

### Projects 10 and 11: Training and education for adults / Rehabilitation of ex-offenders

The first project focuses on education and training for adults with low levels of formal education. Three levels of education-provision have been identified. Level 1 – people who lack basic skills such as literacy and numeracy; Level 2 – people who can identify the service they require but need to complete a pre-vocational training programme; Level 3 – people who can identify the service they require and can accept vocational training. The second project aims to assist the reintegration of prisoners into their families through two measures. First, the re-entry of prisoners in the community education framework while in prison. Second, the set up of a parallel programme in the community for ex-prisoners and programme which prisoners' spouses can attend while their partners are in prison (Cork City Council, 1997, pp.104-8).

## **Appendix 5-D: The Projects of Malaga URBAN**

### **The socio-economic characteristics of the area/physical infrastructure**

The rate of unemployment in the Historic Centre is estimated at 35 per cent of the local workforce while 5 per cent of the population are illegal migrants<sup>29</sup> facing acute problems of unemployment, poor housing conditions and social marginalisation. Further issues include the concentration of low-income population in the Historic Centre and the absence of an adequate framework for social services, including the absence of any vocational training provisions (Municipality of Malaga, 1996, pp.19 and 22 and 27).

The deteriorating physical infrastructure of the area regards especially the ageing housing stock. As stated in the local URBAN Action Plan, a total of 30 per cent of the buildings in the Historic Centre are “either in ruins or in an state of impossible rehabilitation” (Municipality of Malaga, 1996, p.17).

As a result, the Historic Centre followed the last 30 years a different development process than the rest of the city. Thus, while the Malaga metropolitan area displays during this period a strong record of population growth<sup>30</sup>, in the area of the Historic Centre there was a population decline of 22 per cent (Municipality of Malaga, 1996, p.12).

### **The Projects of Malaga URBAN**

Under the three categories of action of Malaga-URBAN, 14 projects have been decided to be implemented for the 1995-99 period. The following thematic presentation of

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<sup>28</sup> These neighbourhoods are Knocknaheeny, Glen, Farranree, Blackpool, Shandon, and Mayfield (Cork City Council, 1997, p.74).

<sup>29</sup> Predominantly from North Africa (Municipality of Malaga, 1996, p.27).

projects includes also the budget arrangements of one of the major URBAN actions in Malaga to illustrate the limited partnership arrangements of the programme.

**Theme A: Environmental/Physical Improvements in the Town Centre**

**Projects a-1:** The focus of this project is mainly on schools, local community associations and voluntary groups (such as parents' associations, cultural and leisure organisations and local consumer associations). The aim is to make all targeted groups aware of the environmental problems in the city and to involve community associations in a consultation process with the local authorities for the development of proposals regarding environmental improvements<sup>31</sup> (Municipality of Malaga, 1996, pp.42-51).

**Project a-2 and a-3 :** The first project promotes intervention in 13 public spaces and squares in the city-centre, while the later promotes a scheme of improvements in sign-posting for tourists in the historic centre (Municipality of Malaga, 1996, pp.52-65).

**Project a-4:** This is one of the largest projects of Malaga-URBAN and aims to regenerate a particular neighbourhood in the historic centre (zone c: camas/mercado/rio). The 9 sub-projects include improvement in green spaces in the area, the demolition of particular buildings that are beyond repair and the revitalisation of the local open-market through the creation of parking spaces and the introduction of enhanced security systems (Municipality of Malaga, 1996, p.66-70).

**Project a-4 of Malaga URBAN**

COSTS		YEARS				
		1995	1996	1997	1998	1999
TOTAL (Million Pts)	352,000		142,800	107,000	53,500	53,500
EU (ERDF)	250,000		100,000	75,000	37,500	37,500
MUNICIPAL	107,000		42,800	32,100	16,000	16,000

Source: (Municipality of Malaga, 1996, p.69).

**Project a-5:** This scheme focuses on the area of Alcazabilla in the city's historic centre. It involves the restoration of the façade of the local museum (Museo de Bellas Artes) and the demolition of particular buildings characterised as "beyond repair" (Municipality of Malaga, 1996, p.71-4).

<sup>30</sup> The population of the city doubled between 1960-1990, from 250,000 to 550,000 inhabitants (Municipality of Malaga, 1996, p.12).

<sup>31</sup> With emphasis on the issues of noise and air pollution, energy usage, urban refuse and street cleaning, traffic problems-public transport (Municipality of Malaga, 1996, p.45-6).

Project a-6 and a-7: The first project aims to the refurbishment of a particular park in the centre of the historic quarter of the city (Parque Gábrilfaro), focusing on the re-planning of gardens, the introduction of increased security measures and the reduction of car-traffic through pedestrianisations (Municipality of Malaga, 1996, pp.76-81). The latter project aims to create a road-tunnel underneath the park that would reduce the presence of cars in the area (Municipality of Malaga, 1996, pp.75-94).

Project a-8: Rehabilitation of the physical infrastructure of 14 major commercial streets in the historic centre through a number of road pedestrianisations, improved street lighting and work on the appearance of the buildings (Municipality of Malaga, 1996, pp.96-8 and 113-8). Also, investments aiming to improve the image and security of the main commercial streets of the historic centre. The main beneficiaries of this range of measures (URBAN subsidies for improved shop furnishes, installation of security windows, air-conditioning and shop-alarm systems), are local SMEs and shop-owners (Municipality of Malaga, 1996, pp.152-4).

#### **Theme B: Social Action**

Project b-1: This project aims to create a centre and a team of social workers that would provide a non-stop (24 hours) service. The centre will respond to citizens' requests for assistance, co-ordinate the social services in the area and focus on homelessness, drug abuse and prostitution (Municipality of Malaga, 1996, p.100-4).

Project b-2: 12 designated areas in the city centre have been recorded in the URBAN Action Plan as in need of intervention and rehabilitation due to their accumulated social problems (drugs, beggary). The project involves installation of urban furnishes, improved street lighting and works on building facades (Municipality of Malaga, 1996, pp.105-7).

Project b-3: The objective is to create a tourist-police unit. The URBAN project is supporting a foreign languages training course for police members and a number of training courses aiming to elaborate to this particular police unit the rights of tourists in a foreign country and the roles of embassies or consulates in Malaga.

#### **Theme D: Economic Development and Vocational Training Measures**

The Promotion for economic development in the historical centre, through a number of measures in co-operation with the main local entrepreneurial association, the 'Historical Commercial Centre of Malaga'. The measures include vocational training schemes for the local workforce, the organisation of information seminars for prospective investors in the area and the identification and formulation of a tourist model for the promotion of Malaga (Municipality of Malaga, 1996, p.156).

## **Appendix 5-E: The projects of Porto-Gondomar URBAN**

### **Characteristics of the area**

The impact of the closure of the mines on the S. Pedro da Cova community can be summarised in the following:

First, there was a selective migration of skilled workforce to other parts of Portugal or Europe<sup>32</sup>. Second, the population that remained in the commune experienced high unemployment rates due to the dominant role of the mining sector as the main employment provider. In this context, the unskilled characteristics of the local workforce together with the deficient transport system and road infrastructure connecting the area with the rest of Porto region resulted in the relative economic isolation of S. Pedro da Cova and the absence of any major investments since the early 1970s. Other key issues include the high local illiteracy rate<sup>33</sup>, the low family earnings, the prevalence of precarious employment opportunities in the secondary sector (civil construction and goldsmith industry), the absence of any local secondary school facilities and the inadequate provision of social services (Gondomar Municipality, 1997, pp.69-70 and 83).

### **The Projects of Porto-URBAN**

The six targets of intervention promoted by the Porto-Gondomar URBAN programme for the 1995-99 period include the following measures:

#### **Intervention on the urban environment and the physical infrastructures of the area:**

- a) Creation of a local planning office aiming to co-ordinate the activities of planning intervention in the area and involve the community associations in policy-making procedures.
- b) Improvements in public spaces and public gardens in S. Pedro da Cova.
- c) Re-design of the major transportation (bus) routes.

#### **Creation of new (central) public spaces:**

- a) Establishment of a mining museum that would also function as a service centre (meeting place, offices, documentation centre) for the community of ex-miners. In order to attract tourists the museum will include also a model of an underground mining gallery.
- b) Creation of a new public square at the city centre (Centro da Covilha).
- c) Development of a new sports park.

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<sup>32</sup> Predominantly in France, Luxembourg and Switzerland (Gondomar Municipality, 1997, p.69).

<sup>33</sup> A total of 9,6 per cent of the inhabitants of S. Pedro da Cova are regarded illiterate, while 68 per cent of the population had less than 6 years of formal school education (Gondomar Municipality, 1997, p.83).

Promotion of economic development measures:

- a) Improvements in the physical infrastructure of the local centre of industrial activity (industrial zone of Mimosas). Creation of a road link that would increase the accessibility of the area.
- b) Incentives for the development of local SMEs, seen by the programme organisers as the main source of economic dynamism and innovation in the area.
- c) Support - in the form of subsidies - for the promotion of economic activities that would provide employment opportunities for local people.
- d) Promotion of local products.

Improvements in the provision of social services and emphasis on the promotion of cultural activities. Measures involve:

- a) The creation of a 'cultural centre' aiming to function as the focal point in advancing cultural activities in the commune.
- b) The utilisation of URBAN funds for the promotion of particular cultural events (concerts, theatre performances).
- c) Attempts to inform and involve the local population in cultural activities.

Establishment of vocational training courses and enhancement of the role of educational institutions in the community. Measures involve:

- a) Launch of particular social activities (cultural and sport events) in local schools, with special emphasis on the role of students in their organisation.
- b) Promotion of two vocational training programmes, one focusing solely on the needs of the local female population.
- c) Assistance in the formation of 'voluntary' community associations.
- d) Introduction of drug rehabilitation programmes also aiming to assist the social-economic integration of targeted groups of (young) people.

Development of appropriate administrative structures and technical capacities for the implementation of URBAN. These relate to:

- a) Studies that would be the basis of socio-economic intervention in S. Pedro da Cova,
- b) Technical equipment and administrative assistance required for the implementation of URBAN.
- c) The targeting and selection of companies and community associations to participate in the projects.



d) The co-ordination of URBAN with other intervention programmes in the area (Community Support Framework, national projects-PER).

(Gondomar Municipality, 1997, p.99-132; Patriarca A. 02/02/1998 – interview; Pacheco Da Silva, J. 02/02/1998 - interview).

## **Appendix 5-F: The projects of Piraeus-URBAN**

### **Profile of the area**

The history, socio-economic development and built environment of both Keratsini and Drapetsona municipalities were strongly influenced by a refugee influx following the 1922 Balkan wars. In terms of the built environment, for instance, they are still dominated by the presence of ‘refugee’ block of flats created in the mid-war period that lack basic infrastructure (Keratsini-Drapetsona, 1996, pp.5 and 7).

The socio-economic targets of Piraeus-URBAN focus on the low educational and skill level of the local population<sup>34</sup>, the concentration of illegal migrants (North Africa, Middle East) during the 1990s, and the general population decline of the area during the last 2 decades denoting the strong structural local socio-economic problems (Keratsini-Drapetsona, 1996, pp.7 and 13).

### **Targets of Piraeus URBAN:**

- a) Support for industrial sectors facing structural problems (ship-building, textiles), and provision of incentives for the development of local SMEs.
- b) Promotion of employment policies including vocational training courses and employment creation through subsidies and incentives.
  - a) Development of social policy measures aiming to address the problems of particular groups of the local population (illegal migrants, elderly, long-term unemployed) as well as the promotion of health and safety measures at workplace.
  - b) Improvements in the physical environment (public squares, roads, houses) with emphasis on the port area of the municipalities.
- c) Development of the administrative and technical capacity of the municipalities in order to promote the implementation of the programme (Keratsini-Drapetsona, 1996, pp.42-3).

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<sup>34</sup> Despite improvements during the last 2 decades, approximately 70 per cent of the local population have attended only the primary school educational level (Keratsini-Drapetsona, 1996, p.12).

### **Projects of Piraeus-URBAN**

a) **Economic policy**: This category of policy intervention includes three sub-programmes. First, the launch of support measures for local companies in industrial sectors that face structural problems (ship-building, textiles). Actions involve the provision of consultation and grants for machinery renovation. Second, the setting up of a system of financial incentives for the attraction of investments in the area. Third, the promotion of SMEs activities in Keratsini-Drapetsona. Currently there is an absence of a representative body (association) of the interests of local SMEs. In this context, URBAN funds will be used for the creation of an Office for SMEs aiming at providing support for local SMEs. The total budget is 4,7 Million ECUs.

b) **Employment Policies**: Actions in this category include the development of vocational training programmes and the promotion of employment creation measures through subsidies and incentives. The total expenditure is 1,9 Million ECUs.

c) **Social Cohesion Policies**: The aim is to develop a policy-framework that addresses the problems of particular parts of the local population (illegal migrants, elderly, long-term unemployed). Furthermore, two more project categories have been decided including the promotion of a system that monitors the implementation of health and safety measures at workplace as well as the creation of a public (subsidised) day nursery as part of the attempt to enhance the employment opportunities of the local female population. The total budget of this policy category is 872,480 ECUs.

d) **Urban Environment and Infrastructure**: The development of 5 individual projects has been decided under this title for the 1995-99 period. First, improvements in the existing, and construction of new road linking the Piraeus port and the municipalities. Second, the creation of an underground car-park in the central square of Keratsini. Third, the renovation of 7 public squares and parks in Keratsini and Drapetsona. Fourth, the launch of a feasibility study for the establishment of a local mini-bus network. Fifth, the intervention (improvements) in the degenerated housing stock of the URBAN area focusing on the 'refugee' blocks of flats. The total expenditure of these projects is estimated at 3,2 Million ECUs.

e) Development of the administrative and technical capacity of the municipalities in order to promote the implementation of the programme.

**Sources**: (Ministry of Environment and Planning, 1996, p.8; Keratsini-Drapetsona 1996, p.45; Steering Committee of Piraeus URBAN, 1995, p.10-2; Development Corporation of Piraeus Municipalities, 1996, pp.3-6).

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