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# Multi-level Territorial Governance and Cohesion Policy

## Structural Funds and the Timing of Development in Palermo and the Italian Mezzogiorno

*Simone Tulumello*

### Abstract

This article explores the role of changing arrangements of multi-level territorial governance in the European Cohesion Policy. It hypothesises the existence of a temporal duality between successful/unsuccessful phases of Cohesion Policy between the 1990s and 2000s, that is, a structural change in the implementation of Structural Funds stemming from the reforms at the turn of the millennium. The article seeks to understand the implications of such a duality using case study analysis, with the theoretical aim of exploring in-depth the connections between the European and the local scale. It analyses in the long term (1994-2013) the use of Structural Funds for urban development in a specific context, the city of Palermo in the Objective 1 region of Sicily, under-explored by international literature. The phases of Structural Funds are understood in the wider context of Palermo, Sicily and Southern Italy, emphasising the temporal coherence between (i) the phases of autonomous/dependent development, (ii) evolution/involution in the implementation of cohesion policies, and (iii) shifting multi-level territorial governance arrangements. The local case confirms the duality hypothesised and, based on this, wider considerations for the future of Cohesion Policy are set out.

**Keywords:** *convergence, cohesion policy, ERDF, local development, urban policy*

### AUTHOR INFORMATION

**Simone Tulumello**  
Post-doc Research Fellow  
Instituto de Ciências Sociais,  
Universidade de Lisboa,  
Portugal  
E-mail: [simone.tulumello@ics.ulisboa.pt](mailto:simone.tulumello@ics.ulisboa.pt)

# 1. Introduction

The European Cohesion Policy was established as a response to the risk that market integration could exacerbate national and regional socio-economic imbalances. Until the reform for 2014-2020, 'convergence' was considered the 'chief objective' of Cohesion Policy (Faludi & Peyrony, 2011, p. 6).<sup>1</sup> According to Molle (2007), one question sums up the debate about relations between Cohesion Policy and convergence: is Cohesion Policy actually 'making' convergence, hence cohesion? The answer has been positive for long times in media, political and academic environments (*idem*). The situation has changed recently, especially since the economic crisis has exposed the weaknesses of the least developed regions, especially in Southern Europe. Doubts about the effectiveness of cohesion policies stem from the evidence of marginal convergence of Southern European regions in the long term (Pinho et al., 2010). A picture of the failure of Cohesion Policy has dominated recent debates and is mirrored by the successful requests by northern member states to cut the 2014-2020 EU budget and Structural Funds (hereafter SFs). However, more detailed analyses highlight the existence of different periods. Cohesion Policy and SFs fostered endogenous development and convergence in Objective 1 (hereafter Ob1) regions between 1989 and 2005 (Bouayad-Agha et al., 2013; see also Leonardi, 2006). Pinho et al. (2010) distinguish two phases: convergence up to 2004 and divergence, as well as regional internal polarisation, since then. This suggests that, in between various phases of implementation of SFs, a temporal duality may exist between successful/unsuccessful phases of Cohesion Policy.

This article investigates such a duality, focusing on the transformations of Cohesion Policy at the turn of the millennium and, specifically, on changing arrangements of multi-level territorial governance of SFs (see section 1). The long term effects and patterns of these transformations have been scarcely explored in-depth: existing long term studies either focus on large data sets using quantitative analysis (e.g. Pinho et al., 2010; Bouayad-Agha et al., 2013; Dotti, 2013; Pinho et al. 2015) or have not territorial governance as their main focus (e.g. Milio, 2007; 2008; Polverari, 2013; Mateus, 2013). Against this background, the article will show how longitudinal/localised qualitative case studies can appropriately unravel the capacity of different phases of Cohesion Policy and changing arrangements of multi-level territorial governance to foster cohesion in specific contexts – see section 2 for a discussion of the epistemological and methodological approach.

The research hypothesis is that changes of multi-level governance help understand why Cohesion Policy has been differently effective in different periods. I shall investigate such hypothesis through two research questions: when did Cohesion Policy effectively contribute to local development? And what is the role of changing arrangements of multi-level governance in the successful/unsuccessful phases of Cohesion Policy?

Answers are provided through exploratory case study research. The history (1994-2013) of a specific dimension of SFs (funds for urban development) in a specific context (the city of Palermo) in an Ob1 region

(Sicily) is traced (section 3). Then, the perspective is broadened to Sicily and the Italian Mezzogiorno in order to question the relations between Cohesion Policy and local development (section 4). In conclusion, the role of multi-level territorial governance is analysed (section 5) and policy implications are presented (section 6).

Southern Italy is interesting firstly because it is among the critical spots of Cohesion Policy: all its regions are Ob1 since the definition of Ob1 in 1989.<sup>2</sup> Secondly, the theme of the (under)development of the Mezzogiorno is a long term debated, controversial one, historically characterised by powerful rhetoric about the alleged ‘irredeemability’ of Southern Italian societies, that is, their (incorrigible) moral and cultural backwardness – see Banfield’s ‘amoral familism’ (1958), Putnam’s depiction of the ‘Hobbesian’ Southern societies (1993) or King (1982), who likened Southern Europe to the ‘Third World’. This rhetoric has had political effects, as evident in the history of the Lega Nord party, which has built its constituency through the depiction of Southern Italians as parasites and *terroni* (a disparaging term used to refer to peasants). This rhetoric was capable of foreclosing nuanced analyses of the actual ‘timing’ of development/underdevelopment paths – with few exceptions (see Tulumello, 2008; Foderà & Tulumello, 2011). Exploring such timing is the purpose of the exploration of a specific case in the broader perspective of Southern Italy.

Before moving to empirical exploration, the next section briefly summarises the recent history of Cohesion Policy to hypothesise the existence of the aforementioned temporal duality.

## **2. Cohesion Policy, multi-level territorial governance and the turn of the millennium**

Cohesion Policy targets primarily the regions whose development is lagging behind. However, the mutual relations between Cohesion Policy, convergence and development are rather unclear (Molle, 2007; Begg, 2010). Although SFs and Ob1 basically devolve resources from the most to the least developed regions (Dotti, 2013, p. 602), Cohesion Policy is not considered a compensatory policy, rather a developmental one (Faludi & Peyrony, 2011). This is made explicit through the duality between ‘competitiveness’ and ‘cohesion’: cohesion is considered a precondition for a competitive EU, while strengthening regional competitiveness is considered necessary for boosting the potential for a harmonic development of the Union (CEC, 2004a, pp. vii–viii). Faludi (2007, p. 569) emphasises that reconciling competitiveness and balanced development – an idea central to the European model – is not easy task. Indeed, the very coexistence of two almost opposite concepts such as cohesion and competitiveness is quite problematic: Mancha-Navarro and Garrido-Yserte (2008) highlight how, in time, the increasing focus on the latter has come at the expense of the former.

More specifically, two vectors of transformation for the European integration process, since the turn of the millennium, have impacted on the perspectives for cohesion and convergence. On the one hand, the

establishment of the monetary union has prevented member states from using monetary policy to achieve adjustment, at the same time as European coordination was constraining their fiscal policy. Since then, competitiveness gains have been produced almost exclusively through pressure on workers (Lapavitsas et al., 2010, pp. 323-324), affecting core periphery relations: countries such as Germany, with better real wages and welfare state, had a wider capacity to increase competitiveness than countries such as Southern European ones. On the other hand, the whole European approach to economic development ‘went through a sea change’ (Begg, 2010, p. 80), with competitiveness gaining centrality at the expense of solidarity and equity considerations (Mancha-Navarro & Garrido-Yserte, 2008).<sup>3</sup> The complementarity of these processes meant that, at the same time as the process of integration (i.e. the establishment of the monetary union) further aggravated the risks of growing economic disparities, ‘the political commitment to cohesion as a deepening of integration has been less evident’ (*idem*).

Against this background, it is possible to hypothesise a duality for Cohesion Policy before and after the turn of the millennium. Indeed, significant transformations mark the 2000-2006 and 2007-2013 programming period – the ‘New Cohesion Policy’ (Janin Rivolin, 2010), stemming from the decisions at the Lisbon and Gothenburg summits of the European Council (2000-2001). On the one hand, the new programming periods were characterised by the enlargement of the EU, which led to a reorientation of operative aims (cf. Sutcliffe, 2001, p. 302) and funding distribution towards the new member states – at the cost of regions in older member states. On the other hand, the EU explicitly addressed territory as a policy dimension for the first time with the European Spatial Development Perspective approved in 1999. The Lisbon Treaty added the territorial dimension to Cohesion Policy, bringing about crucial transformations to the design and implementation of SFs and affecting multi-level governance arrangements.

Multi-level governance, according to the EU Territorial Agenda, is aimed at ensuring a ‘balanced and coordinated contribution of the local, regional, national, and European actors – such as authorities or governments – in compliance with the principle of subsidiarity through systematic integration of territorial aspects’ (EU, 2011, p. 85). Multi-level governance is linked with cohesion goals: it is considered an instrument to improve governance and institutional structures, especially in ‘less-favoured regions which tend to have deficient systems of governance and inadequate understanding of science and technology policy issues’ (CEC, 2004a, p. 58). According to Faludi’s insights (2012) into the conceptualisation of types of governance by Hooge and Marks (2003), multi-level territorial governance includes multi-level polity and relations cross-cutting hierarchical arrangements. The process of state rescaling – displacement of competences between supra-national entities, national, regional and small-scale levels – is among the most evident features of the governance turn in the process of European integration (Brenner, 1999). Rescaling is not only devolution of competences from national states to regional politico-administrative levels but a complex

transfer of power and resources downward and upward (Zanon, 2013).

As far as SFs and their implementation are concerned, four crucial multi-level relations exist. First, the relation between the *EU* and *member states* is materialised in the upward transference of competences (e.g. regulatory power) and resources to the EU and the negotiation for the distribution and implementation of SFs. Second, *regions* are the main territorial unit for allocation of SFs (e.g. NUTS II regionalisation of Ob1 areas) but their relations with the *EU* vary across member states, according to the level of decentralization – overall, the upward transference of competence to the EU has been accompanied by decentralization and devolution (Governa, 2012; Zanon, 2013). Third, *regions* develop informal horizontal relations of cooperation and/or competition – e.g. the duality competitiveness/cohesion is grounded on region-region competition (Governa & Saccomani, 2004; Governa, 2012). Fourth, being considered crucial for the development of the *EU*, *cities* are central to the policy and funding agenda – see the Urban Agenda for the EU (EU, 2016).

The phases of Cohesion Policy and SFs have been characterised by the dynamic evolution of these relationships and of their mutual balances. A major transformation characterises the duality between the 1990s and the 2000s, as a result of the 1999 reform of SFs (cf. Sutcliffe, 2001), with the cumulated effect of a transference of power from the Commission towards member states – and, in Italy and Spain, regions. Firstly, the Community Initiatives, directly managed by the EC, were reduced in number (from seven in 1994-1999 to three in 2000-2006) and financial weight. According to Sutcliffe (2001, p. 304), ‘given that community initiatives provide the Commission with the greatest flexibility in terms of the selection of projects to receive support, this reduction in the scope of the community initiatives represents a reduction in the policy-making autonomy of the Commission’. Secondly, in addition to the shift of the focus of Cohesion Policy towards national/regional operational programmes, the EC withdrew from detailed involvement in the implementation of programmes, focusing on the design of priorities, monitoring and supervision (Bachtler, 1998). Thirdly, the possibility of an administrative integration of different SFs in operational programmes blurred their distinctions (Begg, 2010) and further increased the degree of discretion for states and regions. Sutcliffe (2001) questioned whether a renationalisation of SFs happened. And, reaffirming that SFs were still considered to be the best example of multi-level governance in the EU, Sutcliffe highlighted that the Commission had been assuming a ‘bargaining’ role in the process – i.e. rather than being directly responsible for the implementation of SFs, it negotiates with member states and regions the priorities and distribution thereof.

This overall process deeply affected the arrangements of multi-level governance, as the case of SFs for urban development exemplifies. In the 1990s, the EC had a central role in this area because of community initiatives and especially the Urban Initiative.<sup>4</sup> Since 2000, urban development has basically been integrated as one among various goals of regional framework programmes. From an operational perspective,

with Urban, municipalities submitted bids to the EC, which was responsible for ex-ante (mainly the selection of bids to be funded) and ex-post evaluation, as well as auditing of expenditure. Since 2000-2006, most funds are distributed, through EC-member state agreements, between (Ob1) regions; regions are responsible for framing internal regulations for programme/project funding and conducting ex-ante evaluation; the EC has remained responsible for ex-post evaluation; and auditing of expenditure is shared between the regions and EC.

A further implication of the duality between the 1990s and 2000s concerns the time management of SFs, an issue debated at length. Kaufmann and Wagner (2005) warn against too rigid time management rules. Dotti (2013), analysing the long term distribution of SFs (1989-2013), criticizes the excessive length of programming periods and how each cycle is defined when the previous one is still ongoing and mid-term evaluation only is available. This was especially critical for 2007-2013, when programmes grounded on guidelines dated 2005 – a period of economic growth – were applied during the harshest economic crisis ever experienced by the united Europe without flexibility for transformations *in itinere*. For the purposes of this article, I need to highlight how the shift in power relations since 2000-2006 influenced time management on a local scale. As far as SFs for urban development are concerned, whereas local authorities independently planned and managed programmes under the Urban Initiative, after 2000 they had to include projects for urban development within the timelines of wider regional framework programmes.

The empirical part of the article will explore whether the changing arrangements described in this section help explaining the varying capacity of Cohesion Policy to foster local development. In the next section, I shall explain why this is made through case study research.

### **3. The rationale of investigating Cohesion Policy through case-based research: methodological notes**

The literature review has emphasised the existence of two distinct phases of Cohesion Policy and multi-level governance arrangements. However, the lack of connections between theoretical discussions of multi-level territorial governance and longitudinal studies about the effectiveness of Cohesion Policy is quite surprising. On the one hand, scholars such as Faludi (2007; 2010; 2012) or Davoudi (2005) have discussed at length the concept of ‘territorial cohesion’ as the conceptual framework for European multi-level governance in the new millennium, but without questioning operational consequences for Cohesion Policy on the ground. On the other hand, existing empirical studies have not unravelled in-depth multi-level relations and tensions between Cohesion Policy, national contexts and local development in the long term. Most long term analyses focus on large data sets using quantitative analysis (see, among others, Pinho et al., 2010; Bouayad-Agha et al., 2013; Dotti, 2013; Pinho et al. 2015); while most long term case studies have not

territorial governance as their main focus (cf. Milio (2008) on regional political stability or Polverari (2013) and Mateus (2013) on impacts and expenditure of SFs) or do not look into variations in time (e.g. Milio (2007) on regional administrative capacity). The most comprehensive qualitative study available, the comparative study of the European Regional Development Fund (ERDF) in 15 regions between 1989 and 2013 (Bachtler et al., 2013), investigates in-depth the regional level but only marginally multi-level relations with national and local levels.

Against this background, and in line with the type of research questions (when was Cohesion Policy effective; and what was the role of changing arrangements of multi-level governance), this article employs 'exploratory' case study analysis (cf. Yin, 2003 [1994], pp. 5-7). I will present the long term history of a specific dimension of SFs (funds for urban development) in a specific context (the city of Palermo), through the study of three programmes implemented in the period of analysis (1994-2013); then, I will reconsider the history in relation to the wider socio-political context of Palermo, the trends of local development in the region of Sicily and the Italian Mezzogiorno, and regional policies implemented by the Italian state. In other words, I will set out a 'thick' (cf. Flyvbjerg, 2006) case description and then reconsider it in light of the theoretical framework to think about 'rival explanations' for the different outputs of the three programmes (cf. Yin, 2003 [1994], pp. 111-115). I will therefore adopt a methodology of multiple case research design – the 'replication logic' (*ibidem*, p. 47), the research of explanations for different outputs – and apply it to the same territorial case in different periods of time (substituting the 'where' with the 'when'). Keeping in mind the theoretical goals, the comparison of different epochs is expected to be a more efficient strategy than the comparison of different places because factors such as those cultural determinants often used to oversimplify the history of (under)development paths of Southern Italy can be 'controlled', so to speak.

The case will help theory building because it is 'paradigmatic' and 'extreme' (cf. Flyvbjerg, 2006) at the same time. It is paradigmatic of the long term problems of Cohesion Policy and, at the same time, of the difficulties in overcoming rhetoric discourses, which overlook the specificities of different periods.<sup>5</sup> The case is extreme because of the unique history of Palermo and the Italian Mezzogiorno, and, in close relation to this, the especially evident dichotomy between the 1990s and the 2000s. How do I expect to build theory from a single case? First, one single case is sufficient to falsify theoretical propositions such as 'Cohesion Policy has never fostered local development (in the South of Italy)' – I will show when it did even in a case considered extreme for its negative outputs. And, second, building an understanding that adjoins a micro and a macro perspective (cf. Flyvbjerg, 2004), I expect to be capable of understanding local dynamics and, at the same time, putting forward some general considerations for multi-level territorial governance arrangements in Cohesion Policy – analysing what their role was in a case paradigmatic of problems of Cohesion Policy.

As far as the methodological design is concerned, the available sources for the main data about the programmes studied (see Table 2 below) were:

- with regards to the 1994-1999 programming period, the rich existing literature about Urban I Initiative;
- with regards to the 2000-2006 and 2007-2013 programming period, the original documents by the Region of Sicily (Regione Siciliana 2005; 2007; 2012), the national and regional websites regarding Cohesion Policy (<http://opencoesione.gov.it/>; [www.eurinfosicilia.it](http://www.eurinfosicilia.it)) and an internal working paper (Vinci, 2009) of FormezPA ([www.formez.it](http://www.formez.it)).

General data have been integrated by in-depth qualitative data to infer causal relations. First, I have interviewed four key informants who have been leading the design and implementation of the programmes at the local (regional and city) level:

- Interview 1 (03/2011) – former civil officer, head of the municipal office for Urban;
- Interview 2 (03/2011) – former city councillor (1992-2012) chairman of the Historical Centre and Urban Planning committees during Urban;
- Interview 3 (03/2013) – head of the Service for Regional Policies of the Department of Planning of the Region of Sicily and person in charge for ROP (2004-2006) and OP-ERDF (2007-2013);
- Interview 4 (03/2013) – coordinator of the project ‘Capacity SUD’ for the follow-up and monitoring of Priority 6 (sustainable urban development) of OP-ERDF (2007-2013).

Second, I carried out a period of participant observation during my professional engagement over the implementation of SFs in the 2007-2013 programming period. Between July and December 2012, I have worked as consultant for FormezPA and the Department of Planning of the Region of Sicily with the following assignments: member of the task force committed to the follow-up of local authorities managing funds for urban development; in charge of the follow-up of PISU ‘Palermo Capitale’; in charge of data assembling at the regional level. This has provided me with two kinds of data: first, direct access to original data about the implementation of the programme at the municipal and regional level; and, second, field notes from about 30 work meetings (total duration about 45 hours) with politicians and civil servants in Palermo, some municipalities in western Sicily and regional departments. In short, I have had the opportunity to directly observe, contribute to, and reflect on, the implementation of the SFs on the ground.

## 4. Structural Funds for urban development in Palermo

Palermo is a medium-sized city (housing 700,000 inhabitants) and administrative capital of Sicily, an Ob1 region that made use of several billions of SFs (Table 1). During the period of study (1994-2013), SFs co-founded three programmes for urban development, whose main characterisations are recapped in Table 2. General data about actors confirm that there has been a shift in multi-level governance arrangements after the year 2000.

**Table 1.** Structural Funds allocated in Sicily (M€), 1994-2013

	1994-1999	2000-2006	2007-2013
EU Structural Funds (ERDF and ESF)	1,557	3,371	4,319
Total budget including national co-funding	3,102	7,635	8,639

Budgets in final versions of the operational programmes, respectively approved in 1995, 2004, 2010. Sources: Corte dei Conti (1999), CEC (2004b), Presidenza della Regione Siciliana (2010), Profeti, (2013).

**Table 2.** Programmes for urban development funded with Structural Funds in Palermo (1994-2013)

Programme	Urban I (1994-1999)	ROP Sicilia (2000-2006) (Priority 5)	OP-ERDF Sicilia (2007-2013) (Priority 6)
Rate of expenditure	Rate of expenditure 95% (Italy) (Padovani, 2002)	? <sup>a</sup>	63% <sup>b</sup> (OP-ERDF, Sicily, 31 December 2015)
Programme in Palermo	Urban Palermo	PIT 'Palermo Capitale dell'Euro-Mediterraneo'	PISU 'Palermo Capitale'
Measures	Launching new economic activities; ensuring employment; improving public social services; environment and infrastructures	Centre for the Euro-Mediterranean culture; technological innovation and internationalisation for entrepreneurial/productive fabric; improvement of the touristic system; human capital and knowledge	Projects funded: public social services; updating of municipal GIS; online municipal services portal; requalification of a school
Funded (total)	22 million €	172 million €	13.2 million €
Ex-ante evaluation	Whole programme	Whole programme	Whole programme and single project
Ex-ante evaluation body	European Commission	Department of Planning of the Region of Sicily	Departments of the Region of Sicily (depending on the project)
Funding allocation	Whole programme	Whole programme	Single project
Coordination	National government (Office of the Prime Minister, Ministry of Public Works)	Department of Planning of the Region of Sicily	Department of Planning of the Region of Sicily
Funding management body	Municipality of Palermo	Department of Planning of the Region of Sicily	Departments of the Region of Sicily (depending on the project)
Programme planning body	Municipality of Palermo	Municipality of Palermo (PIT)	Municipality of Palermo (PISU)
Execution body	Municipality of Palermo	Municipality of Palermo	Municipality of Palermo

a) The total expenditure of the ERDF 2000-2006 in Sicily was 99% but around 40% had been used as a replacement for ordinary expenditure (Corte dei Conti, 2011). Since 2012, the EC has been blocking hundreds of millions of euros for irregularities in expenditure and monitoring. Negotiations are ongoing and the actual expenditure to be achieved is not calculable yet.

b) At the formal end of the programming period (31 December 2013) the expenditure was 37.6%. Data Dipartimento per lo Sviluppo e la Coesione Economica available at [www.opencoesione.gov.it/spesa-certificata-grafici/](http://www.opencoesione.gov.it/spesa-certificata-grafici/) (retrieved April 15, 2016).

### **3.1. Urban I (1994-1999)**

The Urban I Initiative funded urban regeneration programmes in areas characterised by poverty, and social and spatial decay, mostly in Ob1 regions. The outcomes of Urban I in Italy are well known: spatial regeneration (Palermo et al., 2002); learning effects for local actors in the use of cross-sectoral policies (Padovani, 2002); diffusion of participatory processes (Tosi, 2001); and innovation of Italian spatial planning (Governà, 2012; Verones et al., 2012). In Palermo, Urban targeted the historical centre and is considered successful on several dimensions (GHK, 2003, p. 107): stimulus to new economic activities, refurbishment of public space, innovation of city strategies and support for private-led regeneration. The least effective measure has been the creation of public services (Verones et al., 2012) and the integration with ordinary policies, especially housing, was problematic – as the responsible chairman admitted (Interview 1, 2011). According to the interviewees (Interviews 1 and 2, 2011), the initiative had relevant impacts in building competences of public offices in the implementation of complex programmes. However, the change of municipal government in 2001 reversed such impacts. The dismantling of the service responsible for Urban I is one of the reasons for the failure of the projects implemented in the new millennium – suggested by interviewees (Interviews 1 and 2, 2011) and confirmed during observant participation (see below).

### **3.2. PIT Palermo Capitale dell’Euro-Mediterraneo (2000-2006)**

After the year 2000, the region of Sicily has been responsible for the management of SFs for urban development. A Regional Operational Programme (ROP) was designed for the management of all EU funds. The program was operationalised through Integrated Territorial Projects (Progetti Integrati Territoriali, PITs), managed by partnerships of local institutions and the three main cities – Palermo, Messina and Catania. Funding for urban development was allocated in Priority 5 ‘Cities’ of the ROP. The PIT ‘Palermo Capitale dell’Euro-Mediterraneo’ (Palermo, City Capital of Euro-Mediterranean) was a rich programme (172 million €), whose outputs have been poor (Vinci, 2009): of the spatial regeneration projects, just some have been completed; the support of the entrepreneurial systems has had very different outputs but no long term effects of innovation and internationalisation are found (cf. Fondazione Res, 2012). The criticalities in the implementation were generalised at the regional level (Interview 3, 2013). The slow progression from preliminary to executive projects resulted in incremental delays of the regional programme, bringing about an overcharging of actions toward the end of the programming period and the withdrawal of funding in several projects – 62% of projects in Priority 5 (Profeti, 2013). Opaque procedures and the use of SFs for ordinary expenditure rather than developmental policies – around 40% of total funding (Corte dei Conti, 2011) – were common problems (Interview 3, 2013). Therefore, despite two time extensions (2 and a half years in total) admitted by the EC, withdrawal procedures for hundreds of millions are ongoing and it is still impossible assessing the final output of the programme.

### 3.3. PISU Palermo Capitale (2007-2013)

For the 2007-2013 programming period, ERDF was managed by a specific Operational Programme (OP-ERDF). For the implementation of Priority 6, 'Sustainable urban development', the region was divided in 26 areas. Partnerships of small cities submitted bids for Integrated Programmes for Territorial Development (Piani Integrati di Sviluppo Territoriale, PISTs), while cities with more than 30,000 inhabitants submitted bids for Integrated Programmes for Urban Development (Piani Integrati di Sviluppo Urbano, PISUs). Once PISUs and PISTs were evaluated by the regional Department of Planning, local authorities submitted projects in three time windows – for projects with executive, definitive and preliminary detail. The regional department responsible for each sub-measure allocated funds to the single projects, rather than entire PISU/PISTs, in a mixed competitive/negotiated procedure. According to the head of the Service for Regional Policies (Interview 3, 2013), the aims of such a complex frame were: ensuring the quality of both strategic programmes and specific projects; and allocating most funds to projects with executive detail, thereby accelerating implementation. The municipality of Palermo submitted the competitive PISU 'Palermo, City Capital' (Palermo, City Capital) but few executive or definitive projects. The city raised 13.2 million € for 13 projects, that is, only 3% of funding for Priority 6 (443 million €) – in a city that hosts ~14% of the regional population. Criticisms are evident at the municipal and regional level as interviewees suggested (Interviews 3 and 4, 2013) and participant observation confirmed. Particularly in Palermo, municipal servants often lack competences to cope with the complex procedures required, including expenditure and tender regulations. Moreover, important delays were accumulated in the bureaucratic passages between local authorities and regional departments, while the latter often missed the deadlines of their competence.<sup>6</sup> Two excerpts from field notes, respectively from a training on monitoring for regional servants and a work meeting with civil servants responsible for the PISU of Palermo, picture the burdens at the regional level.

These civil servants are completely unaware of the goals and specificities of SFs – they are interested in the 'legal legitimacy' of tenders rather than on the respect of communitarian principles. We are divided in small teams for a practical exercise – we have to fill a check-list for a typical monitoring process. Albeit I am the least experienced in this particular exercise (I have never worked on monitoring before today), the team mates ask me to lead the work and be the spokesperson (September 05, 2012).

Several projects are late with respect to regional deadlines. Most problems are caused by regional departments: it takes months to receive formal notifications, validation procedures change every second week and, most importantly, funding orders for approved projects are always late, often by months (September 13, 2012).

The extension of the programming period to March 2017 accepted by the EC will thus be necessary in order to try to fulfil the programme.

Table 3 sums up this section in a qualitative evaluation of outputs and process quality in the three programmes, emphasising the duality between the 1990s and the 2000s: in a nutshell, Urban, despite the limits highlighted, was the only program to have effective outputs of urban development and impacts of institutional learning; while the programmes implemented under the regional leadership since the year 2000 have basically failed their goals. The next section reconsiders these different phases in relation to the phases of local development in Palermo and the Italian Mezzogiorno.

**Table 3.** Synoptic qualitative assessment of EU programmes for urban development in Palermo

Programme	Urban Palermo (1994-1999)	PIT Palermo Capitale dell'Euro-Mediterraneo (2000-2006)	PISU Palermo Capitale (2007-2013)	
Outputs	+	Regeneration of public spaces and support for private-led regeneration of the historical centre. Socio-economic and social capital impacts.	Some refurbishment projects completed.	-
	-	Failed improvement of public social services.	Failure of measures of support for the local economic fabric. Use of SFs in replacement of ordinary expenditure.	No developmental impacts expected. Use of SFs as a replacement for ordinary expenditure.
Process	+	Institutional learning. Innovation of planning and urban strategies.	-	Innovative regional programme.
	-	In the long term, vanishing of impacts of competence building. Failed coordination with ordinary policies (e.g. housing).	Failure to abide by timeline and overcharging of operations in the final period. 2.5-year programme extension. Opaque expenditure procedures. Funds withdrawn by EC.	Complex procedures and accumulation of delays (communication, bureaucracy). Failure to abide by agreed milestones. 3.25-year programme extension. Withdrawal of funds by EC expected.

## 5. Structural Funds and the 'timing' of development in Palermo and Southern Italy

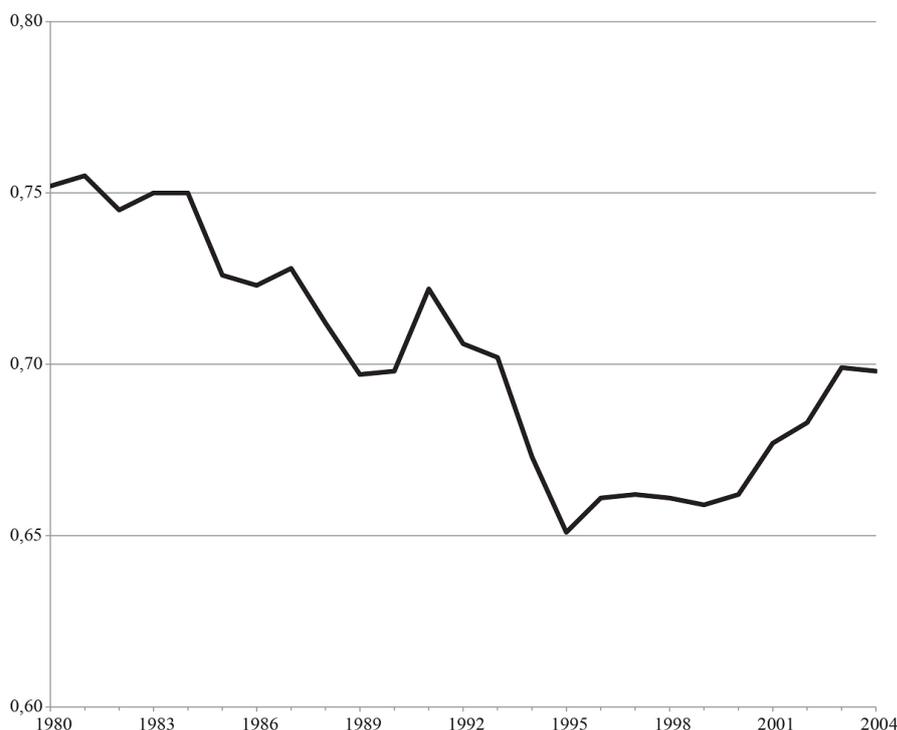
The phases of success/failure of SFs can be partially explained by politico-institutional events in Palermo. Pedone (2013) depicts, up to the late 1980s, the subjection of the political system to the Mafia and a socio-economic fabric marked by the nepotistic use of public jobs for the creation of political consensus and social acquiescence. The 1990s have been dubbed the 'spring' of Palermo: the civil society reacted to the violent escalation of the Mafia in the late 1980s and, for the first time in decades, the city had an uncorrupted government, which promoted a season of sociocultural development and the regeneration of the historical centre and some peripheral areas (Lo Piccolo, 1996; Azzolina, 2009). The new millennium was characterised by a backward step in Palermo as well: a renewed presence of the Mafia as a politico-economic agent was found<sup>7</sup>

and the new municipal government (2002-2012) was considered one of the main triggers for the interruption of the sociocultural and economic development (Azzolina, 2009).

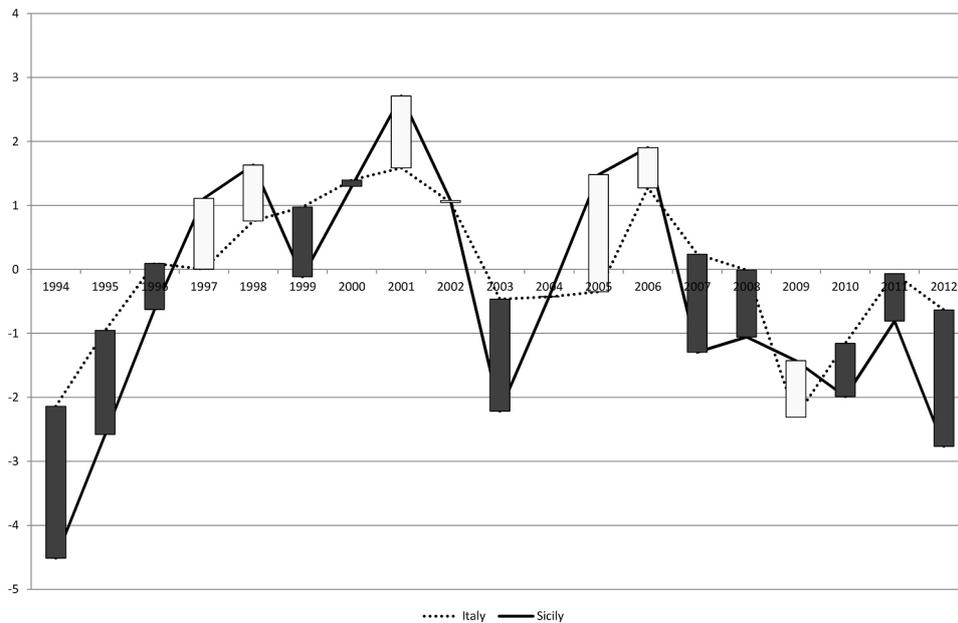
The viewpoint will now be broadened and this temporal coherence investigated on a wider scale. Some works, challenging mainstream discourses about the ‘underdevelopment’ of the Italian Mezzogiorno, highlighted the actual timing of its development, in three phases. Firstly, up to the early 1990s, Trigilia (1994) depicts the ‘development without autonomy’ made from scarce economic growth accompanied by persistence of the gap with Northern Italy, dependence on national funding and relative sociocultural underdevelopment.

Secondly, the 1990s were the years of ‘autonomous development’ (Tulumello, 2008; Foderà & Tulumello, 2011) characterised by administrative decentralisation, capacity building and, between the late 1990s and early 2000s, convergence with Northern Italy (Figure 1; cf. Daniele & Malanima, 2007). The comparison (Sicily vs Italy) of the annual variation in the employment rate (Figure 2) adds further significance to the convergence, inasmuch as the employment growth is primarily ascribed to the creation of new enterprises and productive jobs (Foderà & Tulumello, 2011).

The ex-post evaluation of Ob1 in Italy in 1994-1999 showed that Cohesion Policy has had a decisive role for convergence, giving ‘vital support’ to the structural transformations Southern Italy achieved in those years (Ismeri Europa, 2002, p. 214). The effectiveness of SFs in Southern Italy was multiplied by state-promoted regional policies, mainly negotiated programming and ‘territorial pacts’ in spatial coordination with EU programmes (Gualini, 2001). Because of the contamination of practices produced by the implementation of European complex programmes, the 1990s were dubbed the epoch of ‘Europeanisation’ for Italian regional and planning policy (*idem*; see also Governa, 2012; Veronesi et al., 2012).



**Figure 1.** GDP per capita in Sicily 1980–2004 (index Italy = 1) (elaboration on data Daniele & Malanima, 2007).



**Figure 2.** Annual employment rate variation Sicily vs Italy 1994–2012 (elaboration on data Istat, available online at <http://dati.istat.it/>).

Thirdly, the beginning of the 2000-2006 programming period occurred at a crucial time for the consolidation of the successes of 1990s:

Objective 1 in Italy finds itself in a critical phase: in the next few years it can reinforce and consolidate recent structural changes and go towards greater independence from public spending, or limit the growth in competitiveness and re-activate those processes that complicate and impoverish the local production fabric. Much will depend on the success of the current macro-economic policies and the CSF [Common Strategic Framework] 2000-06 (Ismeri Europa, 2002, p. 225).

However, and similarly to what was shown in Palermo, the implementation of SFs since 2000 has largely been unsuccessful in all Ob1 regions (cf. Profeti, 2013). The same can be said of Italian regional policy. The so-called *nuova programmazione* (new programming), introduced in 2000-2006 had poor results and a number of criticisms have been raised (summed up by Polverari, 2013, p. 577): fragmentation of policy, ‘weakness of central and regional competence centres’, low quality of projects implemented and difficulties in implementation phases. During 2007-2013, the domestic component of regional policy<sup>8</sup> was progressively dismantled (*idem*; see also Scalera & Zazzaro, 2010): three out of four programmes of the national strategic framework were abolished (Education; Research and Competitiveness; Networks and Mobility) and the regional programmes suffered repeated budgetary cuts. Moreover, no spatial coordination with EU Cohesion Policy was sought – confirming how the integration between Cohesion and domestic policy is a particularly problematic field at the European scale more widely (Bachtler et al., 2013, pp. 39-40). Unsurprisingly, convergence processes were interrupted and the economic crisis brought about renewed divergence (see, e.g., Eurostat, 2006; 2010; Pinho et al., 2010; ESPON, 2010). The new millennium brought about little economic growth and recession, ‘without autonomy’ again for the renewed dependence of Southern Italian

regions on (shrinking) national and European funding (Trigilia, 2012; Foderà & Tulumello, 2011).

One could now be tempted to consider the success of the 1990s and the failure of the 2000-2006 and 2007-2013 programming periods a local/national issue (of Palermo, Sicily, the Mezzogiorno and Italy). On the contrary, I suggest this be considered a European issue (as well): some reflections on multi-territorial governance arrangements will help us reconsider the case study on the European scale more widely.

## **6. Discussion and conclusions: multi-level territorial governance, from the local to Cohesion Policy**

The (temporal) coherence between the phases of SFs and the timing of local development needs now to be understood in the context of changing arrangements of multi-level territorial governance in Cohesion Policy around the duality previously hypothesised. During the 1990s, local autonomous development, institutional learning and policy innovation coincided with the successful integration of Cohesion Policy with further policies, that is, with the collaborative mobilisation of actors at several levels – in this case, a negotiated/competitive frame between the EC, the state and municipalities under the Urban Initiative, whose effect was multiplied by state-funded regional policy.

In contrast, since 2000-2006, the failure of SF implementation and the interruption of local development paths have coincided with the concentration of power in the regional bodies and the shrinking role of the EC, the state and municipalities. This frame produced, during 2000-2006, less effective policies and an interruption of local institutional learning; however, it has not been questioned and remained basically unchanged in 2007-2013 – since 2012 with the new Ministry of Cohesion Fabrizio Barca, Italy has progressively recentralized the management of SFs, in a process that eventually led to the creation of the national Agency for Territorial Cohesion. Specifically in relation to Palermo and Southern Italy, the main shortcoming of the new arrangements of multi-level territorial governance was that the design of ROPs has been grounded on the availability of funding rather than on a long term developmental strategy, as the head of the Service for Regional Policy, that is, the person responsible for the design of the programme, admitted (Interview 3, 2013). ‘The ROPs have been “frameworks” to ensure some coherence [...], not integrated planning’ (Interview 4, 2013). This has two reasons, respectively at the regional/national and communitarian level. On the one hand, the coordination of SFs with further policies was a failure (Interview 4, 2013), for three reasons: the aforementioned cuts to, and failure of, state-funded regional policy; the absent coordination by the national government (cf. Trigilia, 2015); and the absence of long term strategic planning at the regional level – in meetings with regional servants, up from heads of departments down to street-level bureaucrats, I have never heard of any link between the ROP and any devel-

opmental strategy. On the other, albeit it was not directly involved in the implementation of the programmes, the EC nonetheless imposed the distribution of funding among priorities, while continuous feedback between the Commission and the regions were absent (Interviews 3 and 4, 2013). As a result, the perception of local actors on the ground, as I experienced during participant observation, was limited to the availability of funds on different areas to fund projects.

As such, the absence of long term programming brought about the use of SFs as a replacement for ordinary expenditure (cf. previous section). This trend was boosted in 2007-2013 by the decision to fund single projects rather than entire programmes, because municipalities submitted all sorts of pre-existing projects or, in absence of these, mainly small projects of acquisition of goods and services, as evident during participant observation, particularly in the case of Palermo. This tendency has been aggravated, since 2007, by the conjugation of the economic crisis, the elimination of the national municipal property tax (2008) and reduced transfers from the state. Municipal authorities – which implement the projects in the field – had ordinary budgets repeatedly cut at the same time as the local economic fabrics were suffering the most. In such a context, ‘spending’ on whatsoever ready project was seen as a way to give breath to the local economic fabric, hence the priority given to short term actions rather than long term developmental policies – as suggested by interviewees (Interviews 3 and 4, 2013) and confirmed in several work meetings with local politicians and civil servants during participant observation. The tendency to use SFs for short-term support for suffering local economies, which has characterized further Southern Italian contexts (Bachtler et al., 2013, p. 114), brings about a paradox: while the economic crisis was striking the European economy, some regions ‘survived’ (to use a term suggested in Interview 4, 2013) with the funds that should have been used for fostering long term development, thereby increasing resilience to economic crises.

In conclusion, the article has investigated shifting arrangements of multi-level territorial governance within the Cohesion Policy of the European Union through the long term analysis of Structural Funds for urban development in Palermo and their relations with the phases of local development in Southern Italy. Although in recent academic, political and public debates the history of cohesion is depicted as one of failure, a local/longitudinal exploratory approach has highlighted two phases: the 1990s, when Cohesion Policy was multiplied by national regional policies and promoted ‘autonomous’ development, convergence and institutional learning; and the new millennium, when the ‘failure’ of Cohesion Policy and regional policies is reflected in the end of convergence. The case study has shown, in this duality, multi-layered, multi-level coherences between (i) the phases of autonomous/dependent development, (ii) evolution/involution in the implementation of cohesion policies, and (iii) shifting multi-level territorial governance arrangements (Table 4).

This suggests that local/national conditions cannot be understood without a connection to the evolutions of communitarian approaches. For example, the reduction in scope of Community Initiatives (cf. sec-

tion 1) – in this case, the interruption of Urban<sup>10</sup>, one of the most successful European policies ever – had significant effects at the local level. All in all, evidence was provided that the timing of the development of Southern Italy, rather than a local/national issue only, is a European one too for the structural connections between local, regional, national and Communitarian dynamics. On the one hand, Cohesion Policy is formally designed to reduce GDP imbalances but it has ‘failed’ this goal, at least in one particular place and in one particular time, for a mix of causes that include structural problems of Cohesion Policy itself. On the other, reducing the debate about the ‘underdevelopment’ of the South (of Italy, of Europe) to the ‘ineptitude’ of its societies – at the end of the day, what else does the PIIGS<sup>11</sup> label do? – is a way to conceal the nuances of the history: autonomous development and convergence did happen in some places (e.g. Southern Italy) and some times (e.g. during the 1990s) and they were structurally linked with successful European policies.

**Table 4.** *The duality of Cohesion Policy, between the local and European scales*

	1994-1999	2000-2006 and 2007-2013
Autonomous/dependent development	Local and autonomous development; convergence	Renewed dependence on national and European funding; interruption of convergence and, after 2007, divergence
Evolution/involution in implementation of cohesion policies	Successful implementation of SFs with developmental and capacity-building impacts; coordination among EU and domestic regional policy	Failure of SFs; absent coordination with domestic regional policy
Shifting multi-level territorial arrangements	Collaborative mobilisation of actors at several levels; special importance of the Europe / local dialectic	Concentration of power in the regional bodies; shrinking role of the EC, the state and municipalities

## 7. Policy implications

Although the findings of this article are still indicative and further research with wider panel of cases is needed, some implications for Cohesion Policy can be set out. Firstly, evidence suggests that, rather than a concentration of power at the regional (as in the case of Italy) or national (as in the case of less decentralised countries such as Portugal) level, a wider distribution of responsibilities should be sought, strengthening the local/EC dialectic, reinforcing the role of the EC as the centre of competences (cf. Barca, 2009) and guaranteeing an adequate integration with the regional policy of member states. Secondly, the case confirmed warnings against too rigid management of time planning in seven-year-long framework programmes and the need to ‘build in contingency plans’ (Bachtler et al., 2013, p. 121). Moreover, evidence showed how the incorporation of locally relevant programmes inside wider framework programmes at the regional level brought about increasing hurdles for project management. This not only confirms previous claims for a more flexible time management in general (cf. section 1), but suggests the need to set different rules at different levels of government and for

different typologies of programmes.

Barca (2006, p. 276) advocated 'a more genuine feedback process between the bottom and top levels of the government structure [which] should allow the true objectives of policy choices to emerge more clearly'. Ten years and a programming period later, this has been shown to be a major need. Looking at the near future, the first EU budget (2014-2020) with a minor financial provision compared to its previous is providing fewer resources for Cohesion Policy. This is happening in an epoch of persisting economic crisis and rigid financial regulations for member states – which, by reducing the capacity to achieve adjustment, impede the implementation of developmental policies. The conjugation of these factors, further increasing the risk of divergence, implies that 'making' cohesion will be even more difficult and, in the long term, may strike the process of European integration at its very core (cf. Cotella et al., 2016).

Nevertheless, it is worth reminding that the EU budget is a minimal quota of the continental GDP (a bit more than 1%): the capacity of Cohesion Policy to affect the GDP imbalances in general – as it is institutionally aimed at – may be questioned by the fact that large framework programmes fostering 'cohesion' at the regional/national level may be less effective than specific, locally designed programmes. Barca (2009) advocated the need to concentrate on core priorities: evidence from Southern Italy reinforces the idea that effective cohesion policies focus on those aspects where the objective area is 'lagging behind' (Iribas & Pavia, 2010, p. 105) and empower existing potentials (Meijers et al., 2007).

Further studies are needed on a broader Southern European scale. Some efforts in this direction have been undertaken looking at the specificities of Southern European urban governance (Seixas & Albet, 2012) and spatial planning (Janin Rivolin & Faludi, 2005; Tulumello, 2015). Integrating such approaches with comparative, long term, in-depth studies of multi-level governance within SFs would lead to a better understanding of the Southern European level as a proper scale on which to debate the future of European Cohesion Policy. It is my contention that such work would eventually suggest (i) focusing on policies that would tackle specific/common issues and problems and (ii) promoting more widely a new epoch of cooperation and solidarity among states and regions in the struggle for 'cohesion'.

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## Endnotes

- <sup>1</sup> The reformed Cohesion Policy for 2014-2020 is designed around the Europe2020 goals of Smart, Sustainable and Inclusive Growth.
- <sup>2</sup> Basilicata, Phasing Out Ob1 in 2007-2013, is Ob1 again in 2014-2020.
- <sup>3</sup> As an example of this trend, the possibility was introduced to assign community resources for urban sustainable development to financial engineering investments and funds investing in public-private partnerships (Janin Rivolin, 2010, p. 14).
- <sup>4</sup> The Urban Initiative had two cycles, 1994-1999 and 2000-2006. It funded innovative and participatory programmes for spatial and socio-economic regeneration of urban areas in situations of environmental and social decay.
- <sup>5</sup> For Flyvbjerg (2006, p. 232; emphasis added) a case is 'paradigmatic' when it helps 'highlight[ing] more *general characteristics* of the societies in question'.
- <sup>6</sup> Still in September 2013, three months before the official end of the programming period (last direct data I had access to), of the 428 projects funded in Sicily, only 174 (40.7%) could abide by the milestone agreed with the region – completion of tender. Of these, 27 were completed and 77 were in the implementation or construction phase. In Palermo, of 13 operations, none had been completed: two had been cancelled, four were awaiting tender, and seven were in implementation/construction (elaboration of author on data collected in the field by the FormezPA task force).
- <sup>7</sup> Several politicians, especially from the centre-right parties that have governed in Palermo since 2002, have been taken to trial in recent years, the best-known case being that of Salvatore Cuffaro, governor of Sicily from 2001 to 2008, condemned in 2008 for aiding and abetting the Mafia.
- <sup>8</sup> Fondo per le Aree Sottoutilizzate (Fund for Underutilized Areas), created in 2003 and renamed Fondo per lo Sviluppo e la Coesione (Fund for Development and Cohesion) in 2011.
- <sup>9</sup> For instance, a panel of the upcoming 2016 ECPR's 8th Pan-European Conference on the European Union is tellingly titled 'Why European Cohesion Policy Fails in the Mezzogiorno'. And, on the political and public side, the doubts casted over the effectiveness of Cohesion Policy, together with the (rhetoric, according to, among others, Blyth, 2013 and Lapavitsas at al., 2010) discussions on the alleged 'fiscal profligacy' of Southern European states as the main cause of the crisis of sovereign debts, were the arguments used by (Northern) member states to advocate successfully for reducing the EU budget in 2014-2020.
- <sup>10</sup> 900 M€ in 1994-1999; 600 M€ in 2000-2006; cancelled since 2007-2013.
- <sup>11</sup> PIIGS is a derogatory label often used to refer to the countries affected by the crisis of sovereign debts (Portugal, Ireland, Italy, Greece, Spain).

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