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# Missed opportunity: structural barriers to inclusion in EU Community-Led Local Development

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## ABSTRACT

European cities are still entrenched in social inequalities, exacerbated by the aftermath of the 2008 financial crisis and compounding austerity measures, the COVID-19 pandemic, and the ongoing Russia–Ukraine war. To mitigate inequalities, the European Union (EU) has promoted multilevel governance mechanisms, in particular Community-Led Local Development (CLLD), in order to empower local actors and foster inclusive growth. However, structural barriers continue to obstruct access to EU funds for the most marginalised communities. This article critically examines how urban development policies, shaped by neoliberal logics and the economisation of governance, have come to prioritise market efficiency over democratic participation and social equity. Drawing on qualitative research from seven European cities, we analyse how excessive bureaucracy, short-term project cycles, and the lack of genuine co-production systematically exclude grassroots actors and reinforce inequality. Our findings show that, despite an inclusive discourse, funding frameworks often privilege resource-rich organisations while further marginalising those most in need. We argue that these limitations are not incidental, but symptomatic of deeper governance structures that prioritise rapid, quantifiable outcomes over long-term, transformative social change. The paper calls for a recalibration of EU urban policy: one that centres co-creation, redistributes decision-making power, and meaningfully integrates community voices. Without such a shift, EU Cohesion Policy risks perpetuating the very exclusions it aims to resolve.

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## Introduction

The European Union's (EU) evolving governance structures, particularly the shift toward multilevel governance, have prompted a reconfiguration of decision-making processes, allowing for greater regional and local involvement in policymaking. Globalisation and economic integration have further spurred the recognition of sub-regional areas as pivotal in fostering competitiveness, innovation, and sustainable

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development within a globalised economy. In times of exacerbated social inequalities and rampant Euroscepticism (Crespy 2020), the EU leadership deemed local input indispensable for tackling multifaceted socio-economic challenges most acutely manifested at the local levels (Copeland 2023). The introduction of the 2016 Urban Agenda for the EU marked a concrete departure from traditional top-down policymaking, emphasising the need for more collaborative, integrated, and action-oriented approaches involving multiple stakeholders (EC 2016). The strategy presented cities as influential political actors with an ability to effectively complement and enhance national and EU-level strategies and serve as laboratory for policy experimentation, innovation and entrepreneurship. It also acknowledged the crucial role that civil society and non-governmental organisations (NGOs) play in fostering inclusive and sustainable urban development.

While European cities have long been framed as ‘engines of the economy’ in EU policy discourse (Vaz and Reis 2017, 16), they also contend with intersecting challenges such as persistent social inequalities and urban poverty. These pressures intensified in the aftermath of the 2008 global financial crisis, which deepened deprivation and widened social disparities across many European urban areas (Etherington 2020). Economic downturns and austerity measures implemented in response to the crisis have led to the dismantling of mechanisms that facilitate equitable growth and provide safety-nets to the most vulnerable citizens (Irving 2021). For example, in 2019, over one fifth (22%) of people in EU cities were at risk of poverty or social exclusion (Eurostat 2023). Statistics also confirm that women, young people and marginalised ethnic minorities already experiencing socio-economic disadvantages were disproportionately affected by reductions in social welfare programmes and services (Mulvik et al. 2022). Recognising and addressing stark social inequalities perturbing European cities has become an increasingly urgent concern for the EU. For the cities, the EU involvement promised an opportunity to replenish dwindling resources and fiscal pressures imposed by national government (Cucca and Ranci 2022).

The conviction that devolution of power can cure all evils was welcomed by the stakeholders of the EU Cohesion Policy, already committed to subsidiarity and partnership principles (EC 2021). Social cohesion is defined – according to the Council of Europe – as ‘*The capacity of a society to ensure the well-being of all its members – minimising disparities and avoiding marginalisation – to manage differences and divisions and ensure the means of achieving welfare for all*’ (Council of Europe 2010). Following this definition, European initiatives should be able to tackle the problems of poverty, unemployment, school failure, poor housing and violence. The Common Provisions Regulations for 2014–2020 Structural and Investment Funds (ESIF) explicitly stipulated that local communities must be directly involved in the decision-making process regarding the allocation and use of EU funds for local development initiatives; however, Member States made highly uneven use of the participatory and multi-fund options offered under these provisions (Kah, Martinos, and Budzich-Tabor 2023).

The direct involvement of urban actors was to foster a sense of ownership and commitment within communities, ensuring that projects were more aligned with their actual needs and aspirations. For instance, the provisions introduced Community-Led Local Development (CLLD) aimed at encouraging local people to come together to form a Local Action Group (LAG) and design and implement an integrated

development strategy for their area; yet, in practice, such arrangements are often shaped by pre-existing local power relations, reproducing local power hierarchies and limiting genuine participation (Furmankiewicz 2012). CLLD builds directly on the earlier LEADER approach, originally conceived as a ‘rural development laboratory’ to test endogenous, territorially grounded and participatory forms of EU intervention, but always operating within broader political-economic constraints (Ray 2000). Research has shown that LEADER has functioned as a negotiated form of local empowerment, constrained by exogenously defined rules, administrative parameters, and evaluation frameworks that mediate the balance between top-down control and bottom-up action (Bosworth et al. 2016). Recent comparative evidence further indicating that LAG autonomy is systematically narrowed where local governments retain formal powers of oversight or termination (Slijepčević, Škrinjarić, and Budak 2025). The extension of LEADER into CLLD represented a significant institutional innovation, enabling the use of ERDF and ESF and the possibility of multi-funded local development strategies; however, early stocktaking shows that this potential was only partially realised due to administrative complexity, resistance to innovation, and nationally specific implementation choices (Servillo and De Bruijn 2018).

Was the CLLD able to promote social inclusion and combat inequalities? This research was conducted during the early stages of the 2021–2027 EU programming period. At the time of data collection in 2022, not all cities had fully formalised CLLD programmes under the new cycle. However, in each case, the participatory governance mechanisms and community-based funding structures examined were either continuations of prior CLLD framework (as in Miskolc) or reflected analogous efforts to implement territorial delivery mechanism aligned with CLLD principles. This transition phase offered valuable insights into how structural barriers, such as bureaucratic rigidity and administrative gatekeeping, persist irrespective of the precise implementation period. The analysis, therefore, focuses not on programme outputs but on the institutionalised conditions and procedural logic shaping access and inclusion within EU-funded urban development.

While CLLD was formally implemented in urban contexts in only seven Member States during the 2014–2020 cycle (Ferry et al. 2025), the selected case studies span cities where CLLD or similar participatory instruments were operational and others undergoing transitions into new territorial delivery frameworks. In this sense, CLLD is employed here both as a specific policy tool and as an analytical lens to understand the structural limitations of participatory governance mechanisms in EU Cohesion Policy more broadly. This dual framing allows the analysis to move beyond formal implementation to examine how participatory territorial instruments, including but not limited to CLLD, operate in practice across diverse urban contexts. As such, CLLD functions here as a representative case through which broader systemic features of EU-funded participatory governance can be interrogated.

An evaluation of CLLD at different scales is yet to be realised; however, preliminary research shows that CLLD is not as inclusive as the architects have envisioned, and EU funding at the local level overall still does not reach the most marginalised groups. To address the question of CLLD’s accomplishments, this article presents key findings from the empirical investigation undertaken in 2022 as part of research commissioned by the European Parliament (Mulvik et al. 2022). Building on a critical approach to neoliberal

governance and co-productive processes (Laruffa 2022; Sicilia et al. 2019), we argue that as urban development policies become more economised, they tend to prioritise market efficiency over democratic and inclusive participation, thus undermining social rights and citizen engagement.

## Literature review and theoretical framework

### *Criticism: research on funding distribution within EU's urban policies*

Recently, there has been a growing interest in studying the rescaling of subregional spatial policies in the EU and the changing power dynamics at the local level. This research area provides valuable insights into the political, policy, and institutional challenges that often affect and modify EU funding objectives (Gualini 2006; Keating 2013; Mendez, van der Zwet, and Borkowska-Waszak 2021; Stead, Sielker, and Chilla 2016). However, studies in this field tend to focus on the implementation process and changes in institutional arrangements, with little attention given to the kind of projects these changes generate and their effect on mitigating inequalities. While numerous studies provide essential insights on the technical improvements in the design and implementation of urban policies, the analyses of their effect on local development, especially on promoting social inclusion, are almost non-existent. In effect, there are relatively few empirically 'thick' accounts of who is most likely to benefit from such funding and how. Where outcome-focused analyses do exist, they suggest that activities aimed at social inclusion often constitute only a limited share of LAGs' development strategies and are frequently poorly aligned with the actual scale of exclusion, as predefined funding frameworks tend to standardise local strategies and weaken genuine local targeting (Kola-Bezka 2020a; Konečný et al. 2021).

Quantitative literature that dominates the field is mainly inconclusive due to the methodological challenges in investigating the effectiveness of funding in a highly diverse and politicised arena (Navarro Yáñez, Rodríguez-García, and Guerrero-Mayo 2023). In addition, appropriate indicators or measurements of success are also debated. However, it must be noted that the success or failure of cohesion policy is routinely determined by rates of absorption and allocation of funding which obscures the actual quality of the implemented projects and their potency to tackle social exclusion and marginalisation (Kostka 2018; Mulvik et al. 2022). This implementation-centred logic obscures the extent to which limits to inclusion are already embedded in the cohesion policy design. Drawing on Faragó and Varró (2016), when cohesion policy is steered by competitiveness, absorption logics, and performance incentives rather than territorially sensitive redistribution, uneven outcomes are not implementation glitches but predictable effects of funding frameworks that privilege administrative capacity and quantifiable outputs over locally grounded, long-term social change.

Cohesion policy has also been explored through case studies, providing empirical details about the functioning of individual programmes and projects. Although these case studies shed light on the under-researched role of bureaucracies in managing EU resources, they largely fail to couple the findings with a critical analysis of surrounding policies and institutional arrangements. In this vein, cohesion policy is conceptualised as a type of technocratic decision-making undertaken largely outside strategic politics

and power asymmetries (Behr 2021; Mendez, van der Zwet, and Borkowska-Waszak 2021). Moreover, the case studies are often so immersed in the detail of programme implementation and rarely problematise the content of overarching strategies and consolidated institutional norms. As such, the success or failure of funded projects is essentially pinned on the implementers who are expected to adapt to existing institutional norms.

In other words, the development policy landscape in the EU is then clearly defined by the ambition to foster inclusive growth and sustainable development (Onaca et al. 2023), while practical implementation of such policies often reveals significant challenges, as generous funding opportunities aimed at alleviating poverty and social exclusion rarely reach those who need them the most (Mulvik et al. 2022). This paradox brings us back to the research objectives pursued in this article, namely to understand the reasons behind persistent marginalisation of some groups despite targeted policy measures and obstacles that prevent some marginalised groups to reach pertinent EU funding. To challenge the current research paradigms, we will scrutinise urban funding mechanisms using the critical perspectives of neoliberalism and economisation in urban development policies (Laruffa 2022), arguing that the economisation of policies impedes state actors partnering with ‘lay actors’ (i.e. members of the public) (Sicilia et al. 2019).

### ***Towards a critical theoretical framework: neoliberalism and economisation***

Scholars have long pointed out the neoliberal underpinnings of EU policy framework, including the new interest in urban regeneration and sustainability (Bragaglia and Caruso 2020; Hermann 2007). Neoliberalism in the EU social policy landscape has been particularly pronounced since the 2000s, when narratives about social issues were increasingly framed through the lens of competitiveness, employability, and market efficiency, rendering social intervention legitimate insofar as it is supported economic integration. This discursive and policy shift resulted in ‘neoliberal hegemony’ in EU social policy, as Stefan Bernhard (2010) argues, relocated social policy debates from questions of collective rights and redistribution, to technocratic discussions of performance and efficiency. Earlier research on LEADER shows how similar dynamics emerged around the concept of innovation, which has frequently interpreted through economic and technocratic lenses at EU and national levels, even as local actors sought to define it in social and cultural terms – revealing early tensions between bottom-up aspirations and externally imposed performance logics (Dargan and Shucksmith 2008).

Some argue that the ‘introjection of neoliberal rationalities’ in the EU was particularly transformative in the 2008 austerity climate, profoundly changing the European social model to one defined by individualism and competition – hence the provocative label ‘Berlin-Washington Consensus’ (Fitoussi and Saraceno 2013; Mavelli 2022). Notably, neoliberalism operates through the Lisbon Strategy and later Europe 2020, where cohesion objectives were increasingly subordinated to competitiveness, growth, and employability goals (Iancu 2013). From this perspective, multilevel governance functions less as a corrective to market logics and more as a governance arrangement through which neoliberal priorities are diffused and normalised across policy levels.

In broad terms, neoliberalism is a political and economic ideology that emphasises the efficiency of private enterprise, free markets, and a reduction in government intervention in the economy. Harvey (2005) argues that neoliberalism systematically shifts power and resources towards the elite, creating an environment where social inequalities are exacerbated. By prioritising privatisation, deregulation, and the reduction of government spending, neoliberal policies undermine the social safety nets that support marginalised groups, effectively disenfranchising those without significant economic or social power (Harvey 2005). In such economic climate, funding allocated to supporting marginalised communities is not only diminished but often comes with stringent conditions that are challenging to meet. Moreover, the neoliberal ethos, which emphasises self-sufficiency and entrepreneurship, exacerbates this situation by fostering a competitive environment for limited resources (Brown 2011). This competitive dynamic often mirrors a ‘survival of the fittest’ scenario, where only those with substantial resources and capabilities can succeed.

Laruffa (2022) explores these dynamics within the welfare state policies, conceptualising them as economisation: a process by which economic logic and market principles are increasingly applied to areas of society that traditionally operated under different norms and values, such as social welfare, education, and social inclusion. This process involves prioritising market efficiency, cost-effectiveness, and measurable economic outcomes over social equity, democratic participation, and long-term social goals (Ferry et al. 2025; Peck and Theodore 2016). Empirical studies illustrate how this logic translates into territorial governance outcomes: research on Austria and Sweden demonstrates a stepwise mainstreaming of competitiveness goals that privilege urban regions, while the challenges of disadvantaged territories are increasingly delegated to local authorities, revealing a mismatch between policy levels and a weakening territorial cohesion as a guiding value (Gruber, Rauhut, and Humer 2019). Furthermore, recent allocation-focused research also corroborates this pattern, showing that Cohesion Policy funding is only partially responsive to structural regional needs, while institutional capacity and political factors significantly shape distribution outcomes (Petraokos, Sotiriou, and Alexiou 2026). This finding suggests that economisation operates already at the level of resource allocation.

Although these processes claim to foster inclusivity, they often fail to address systemic inequalities. The emphasis on individual responsibility obscures the structural barriers that marginalised groups face, thereby reinforcing existing social and economic disparities. Scholars argue that prioritisation of projects that promise rapid economic returns and appeal to private investors often leads to the displacement of existing communities and the neglect of more vulnerable populations (Lees, Slater, and Wylly 2013). Conversely, smaller projects that deal with complex issues, such as discrimination in the housing market, are often less successful in securing funding. This is because these projects require longer timelines to show measurable success and involve nuanced metrics that are difficult to quantify.

It can be argued that the ongoing devolution of power and introduction of CLLD is aimed to balance the economisation processes by encouraging local people to participate in programme development and co-production processes. In the context of EU Cohesion Policy, co-production refers to governance arrangements in which public authorities and non-state actors – such as civil society organisations, community groups

and other non-state actors – jointly participate in the design, implementation and at times evaluation of public policies and projects. In other words, rather than treating citizens as passive beneficiaries, co-production assumes that policy outcomes can be improved when local knowledge and lived experience are mobilised alongside administrative expertise (Bovaird 2007). In other words, in this article co-production is understood as a shared authority over agenda-setting, eligibility, and project selection, alongside joint implementation and learning.

Indeed, co-production has become the ‘gold standard in policymaking,’ in particular within the EU (Goulart and Falanga 2022; Sorrentino, Sicilia, and Howlett 2018). However, while the devolution of power in the EU funding schemes may address concerns about democratic deficit (Allain-Dupré 2020) and thereby be justified from a normative point of view, it is not clear whether (and how) it contributes to reducing social exclusion and poverty in practice. In fact, research shows that consolidated ‘interest boundaries’ are not conducive to the creation of partnerships with groups far removed from the sphere of influence (Dabrowski, Bachtler, and Bafoil 2014; Kostka 2018; Pazos-Vidal 2019). Börzel (2020) criticises EU governance for neglecting to address issues of power, agency, and the fundamental inequalities in bargaining positions. In many ways existing patterns of privilege and the uneven distribution of resources are not altered just because there are new participants in the system (Goetz 2009). Similar dynamics were already observed in early LEADER implementation – the EU’s rural development initiative and a precursor to CLLD – and have persisted across subsequent programming periods, where Local Action Groups often operated as administrative platforms shaped by central-regional power relations rather than as autonomous arenas of local decision-making (Esparcia Perez 2000; Furmankiewicz, Macken-Walsh, and Biegańska 2025). Sicilia et al. (2019) convincingly argues that co-productive arrangements often suffer from power imbalances where more established and resource-rich entities dominate the decision-making process. The involvement of marginalised groups in co-production can be tokenistic, where their input is sought to fulfil procedural requirements rather than to genuinely influence outcomes.

These transformations have led to what some call the Europeanisation of racial neoliberalism, implying that neoliberalism, with its emphasis on market efficiency and individual responsibility, exacerbated social inequalities, including structural racism (Kóczé and Rövid 2019). Using first-hand data from case studies in selected European cities, we will test the claim that the economisation of urban development policies, which prioritise market efficiency over democratic participation, undermines social rights, citizen engagement and access to funds for the most marginalised individuals.

## Methodology and data

This paper is based on the theoretical underpinning and findings from a previous study conducted by the Public Policy and Management Institute (PPMI) on behalf of the European Parliament on social challenges in cities (Mulvik et al. 2022). Consequently, in this section, we reflect on the methodology of this study as it pertains to the current article. The purpose of the original study was to investigate social challenges in European cities, as well as policy responses and governance methods to address them.

It relied on a qualitative methodology: eight EU cities were selected as case studies to analyse various groups at risk of poverty who face multidimensional social challenges in different urban contexts. The case study cities were selected to ensure diversity in city size, type (e.g. core, functional urban areas), and regional spread across the EU. Selection also considered welfare regime differences, the presence of vulnerable groups (e.g. Roma, migrants, youth), and the existence of relevant local policy actions. This multidimensional sampling allowed us to explore how social exclusion is addressed in varied institutional and geographic contexts. Although eight cities were initially included in the broader study, the French case was excluded from this article as it did not provide substantial data on CLLD implementation, which is the core analytical framework for our investigation of participatory EU funding mechanisms.<sup>1</sup> Each case study involved fieldwork and between 5 and 12 interviews per city with representatives of marginalised groups, local initiatives, civil society organisations and public authorities. The number and types of informants are detailed in the [Appendix](#). The selection of participants was purposive and aimed to include both those experiencing marginalisation and those involved in designing, managing and delivering relevant initiatives, including Local Action Groups (LAG) members where applicable. While access to marginalised participants varied across cities, interviews consistently captured the perspectives of grassroots organisations, service providers, and policy actors. Participants were identified through a combination of local gatekeepers, municipal networks, and snowball sampling. This ensured a balance between institutional and community-based perspectives on how participatory governance instruments were experienced in practice.

All interviews were conducted anonymously, and with prior informed consent. Data collection followed the European Code of Conduct for Research Integrity and full GDPR compliance procedures (including secure data handling and storage). Because this research was commissioned under the European Parliament's institutional framework rather than conducted within a university setting, no institutional ethical board was involved, conforming to EU research governance standards for commissioned studies. No additional data involving human participants was collected. In addition to the city-level fieldwork and interviews, a cross-country focus group was also conducted with experts in the field of urban development, which is used for triangulation. A total of seven participants were included in the online focus group, who represented expertise covering different cities and institutional backgrounds.

Although the empirical data was collected in 2022, the analysis presented in this article is a cross-case synthesis that goes beyond descriptive findings, reinterpreting them through a critical framework of neoliberal governance and economisation. This necessitated additional conceptual and analytical work carried out after the commissioned research. The timing of the publication is also relevant, as 2025 marks the preparation of the mid-term review of the 2021–2027 programming period, alongside the design of future urban funding instruments. The structural barriers identified in our analysis remain visible in the debates on Cohesion Policy. We wish for our findings to contribute to this debate. While the original study (Mulvik et al. 2022) focused on assessing policy performance and urban resilience during times of crisis, this academic article builds on those findings by zooming in on the mechanisms that obstruct access to EU funds – specifically in relation to CLLD. We ask: Why do some groups remain

marginalised despite targeted policy measures and significant funding? And why does some EU funding fail to reach those it is explicitly designed to support? Our analysis focuses on the structural and procedural obstacles that limit the realisation of CLLD's inclusive potential in urban settings. To explore these questions, we first present synthesised findings from interview data across the seven cities. Interview transcripts were analysed using thematic analysis (Braun and Clarke 2006), a qualitative method suited to identifying recurring patterns within complex narratives (Dunajeva 2023).

Code generation was informed by our literature review and theoretical framing of neoliberalism and economisation. Interviews were analysed using the following codes: bureaucratic barriers, inclusivity in policy, sustainability of funding, power asymmetries, and discrimination and exclusion. These categories reflect distinct ways in which neoliberal governance logic is enacted locally – through administrative burden, tokenistic participation, short-term, market-driven outcomes, which perpetuate structural power imbalances and social exclusion. To support this analysis, we used an AI-based tool, Smart Matrix Analyser,<sup>2</sup> which helped uncover thematic patterns across cities by mapping co-occurrences and overlaps in coded data. This allowed us to identify recurring obstacles and relational dynamics that may not have been immediately visible through manual coding alone. By clustering qualitative insights across cases, the tool helped strengthen thematic coherence while preserving the grounded, interpretive nature of the data. It enhanced the synthesis process without replacing human judgement or contextual interpretation.

Based on this coding process, common themes emerged, discussed in detail in the results section: 1) structural exclusion through institutional complexity, highlighting the disproportionate burden on vulnerable groups navigating bureaucracy; 2) market-driven priorities superseding social equity, indicating that economic returns are prioritised over social needs in project selection for funding; 3) performative inclusion and limited participation, where stakeholder involvement appears symbolic rather than transformative.

While this study is grounded in a robust qualitative design and a diverse set of urban contexts, certain limitations merit reflection. As with all case-based research, findings are contextually situated and may not be universally generalisable across all EU cities. The interpretive nature of thematic analysis, even when supported by AI-assisted tools, depends on the researchers' theoretical lens and coding framework. Nevertheless, these limitations are intrinsic to qualitative inquiry and are counterbalanced by the depth of empirical engagement, the diversity of case contexts, and the study's capacity to illuminate structural patterns often obscured in large-scale evaluations.

### **Research outcomes: barriers to accessing EU funds for marginalised groups**

Collectively, case studies revealed strikingly similar obstacles that prevent disadvantaged communities from accessing EU funds, despite the different multi-governance settings and unique contexts of the seven cities. All the challenges regarding access to funding and participation in decision-making, we argue, were directly related to the economisation of policies. These challenges included excessive bureaucratic requirements, market-driven priorities and the lack of participation and co-production – factors that, in turn, led to poor policy design and implementation. Indeed, the emphasis on market

efficiency and cost-effectiveness results in stringent administrative procedures and a focus on immediate, measurable outcomes – thereby sidelining long-term goals and the needs of marginalised groups. Furthermore, excessive reliance on technocratic and professional bureaucratic logic – associated with the increasing adoption of neoliberal principles – in European policy has contributed not only to a less inclusive but also a less democratic Europe (Losoncz 2021; Scicluna and Auer 2019). Collectively, this dynamic, fuelled by neoliberalism, undermines the potential for comprehensive, inclusive policy development and fund distribution, while also perpetuating systemic inequalities.

To substantiate these claims, this section presents research findings in three parts:

- (1) exclusion due to institutional complexity
- (2) market-driven preferences over sustainability and equity
- (3) performative inclusion and limitations of participation

### ***Challenges due to accessing funds due to institutional exclusion***

Nearly all case studies revealed that excessive bureaucratic requirements and institutional rigidity constitute one of the main obstacles to accessing EU funds. These barriers took various forms, such as complex documentation, complicated application process, slow and cumbersome evaluation procedures and the lack of transparent decision-making. These bureaucratic walls – or institutional ‘monsters’ as an interviewee from Valencia put it – pose serious challenges to actors with limited administrative capacity, including small NGOs, grassroots initiatives, and community-based organisations, often intended as key actors in CLLD frameworks. As a result, marginalised populations often remain excluded, not because of lack of need, but because the system is structured to favour resource-rich, professionally managed institutions that can more easily navigate these complexities, including monitoring, reporting and procurement compliance requirements (Gargano 2021).

Exclusion and uneven access to funds were present not only at the individual or institutional (NGO) level but also between cities with different administrative capacities. The differences in the ability of cities to access funding due to better ‘know-how’ and ability to navigate the system was echoed in the focus group discussion, suggesting that small cities, in particular, tend to lack the capacity to attract and manage funds.

This systemic bias in favour of administratively resourced actors was most frequently experienced as long approval delays and excessive procedural demands, which effectively disqualify those without dedicated administrative capacity. In Tallinn, civil servants acknowledged that the application of EU funds at the local level is burdened by overly rigid interpretations of rules, creating inefficiencies and limiting the timely delivery of support to those most in need. In Miskolc, municipal staff similarly pointed to the tendering process as overly complicated, with extensive documentation requirements impeding access for disadvantaged applicants. Comparable frustrations were voiced in Košice and Valencia, where public officials highlighted how red tape not only delays interventions but systematically excludes actors less equipped to navigate these demands. Across nearly all case studies, excessive bureaucracy emerged as

a structural filter that narrows access to EU funding – especially for programmes targeting entrenched urban disadvantage and marginalisation. These findings point to an urgent need to simplify application and reporting procedures to ensure that funding mechanisms do not replicate the very inequalities they are meant to address.

In several cases, interviewees directly critiqued the frameworks of EU-funded projects, particularly those implemented through CLLD, which often prioritise compliance and surface-level outputs over complex, locally grounded solutions. A telling comment came from an organisation in Miskolc: *'We cannot treat complex problems in a complex way, because we have to abide by the frameworks set by the project.'* In Hamburg, a civil society informant working with refugees noted that project goals were often framed *'in a quantitative story ... but the reality is that not enough is being done for real integration.'* These critiques expose a core tension in the economisation of urban policy: rigid procedural requirements, often coupled with equally rigid metrics, are ill-suited to address social problems, which tend to be deeply rooted and socially complex, such as discrimination, homelessness, and unemployment.

In cities like Helsinki and Košice, grassroots organisations reported that they were unable to even apply for funding due to their small size or lack of capacity to navigate the complex application process. Many noted that additional resources often had to be directed towards external researchers or grant writers to fill the expertise gap, generating further financial strain. As one Helsinki-based interviewee explained, *'We haven't been able to apply for [the funding], we probably would have got it if we had been able to apply for it, but we're such a small organization administratively that we haven't had the person to draft it.'* This sentiment – of organisations unable to dedicate months of labour to application and reporting – was echoed across several cities. All felt excluded from the process of receiving funding as a consequence. In Valencia, a project implementer highlighted the tight (and often unrealistic) deadlines as a barrier: *'The call is issued, and you have to deliver [the application] in 3 months.'* In the same exchange, bureaucrats were vividly described as individuals detached from reality and *'with white hands'* – a metaphor capturing the distance between decision-making power and the lived urban struggles. These accounts illustrate a broader structural dynamic: over-bureaucratised institutional frameworks—including those associated with CLLD implementation—often claim to promote inclusion while effectively filtering out the very actors they are meant to empower. Bureaucratic rigidity, underpinned by neoliberal rationalities of control, efficiency, and performance metrics, thus reproduces exclusion under the guise of openness and participatory design.

### ***Lack of sustainability and equity due to market-oriented urban policy***

Another recurring concern voiced by interviewees across multiple European cities was the lack of long-term vision and continuity in financing projects targeting disadvantaged populations – resulting in limited sustainability. In Tallinn, for example, programmes supporting persons with disabilities often diminished once EU funding ended, highlighting the urgent need for more stable and enduring funding structures. Similar concerns were raised in Miskolc, Valencia, Valetta and Helsinki, where community-based initiatives routinely ceased upon the conclusion of the funding cycle. As officials in Valencia observed, this *'myopic vision,'* renders such projects unlikely to achieve

meaningful change, especially when implementers are denied the time and space to reflect and adapt during the process. In Helsinki, several informants noted that funding is primarily channelled into narrowly defined, service-based interventions. One organisation lamented that they *'didn't get any support for the normal organisational activities'* as only selected services, such as those related to COVID-19 mitigation, were eligible for financial coverage. Even within participatory models like CLLD, this project-based logic often limited strategic capacity-building and long-term community investment.

Focus group participants emphasised this problem also by expressing concerns regarding projects being abandoned after initial EU funding, usually coupled with municipalities lacking the tools and resources to continue the given project.

The consequences of this funding logic are twofold: first, it interrupts the continuity and sustainability of service provision; and second, it discourages structural transformation. This concern was clearly articulated by one foundation in Valletta: *'It takes time to engage with the community and fully immerse yourself in the community. So, I am afraid that after three years ... When we actually have a planned service according to the community, then the project ends.'* Indeed, the issue is not merely the limited duration of the funding period, but the logic that underpins it. Projects are funded based on their ability to deliver short-term, measurable results (often narrowly defined) rather than their potential to address the root causes of exclusion, which require long-term engagement and resist capture by fixed performance indicators. As several interviewees in Helsinki pointed out, meaningful community work does not conform neatly to grant cycles or yield tidy deliverables. This reliance on market-oriented funding logic, heavily focused on quantifiable outputs, ultimately contradicts the principles of sustainable inclusion. It undermines trust-building, long-term engagement and adaptive strategies that effective local development efforts – envisioned within CLLD – require.

Furthermore, this dynamic reflects a broader trend of neoliberal economisation in urban development policy, which undermines sustainable change by measuring project success through efficiency, speed of execution, and return on investment – rather than depth of impact or meaningful progress towards social equity. The lack of sustainability was repeatedly mentioned in interviews across cities, pointing to a pervasive issue: urban development initiatives are often shaped by market-oriented logic that prioritises short-term deliverables and visible outputs. As one interviewee in Valetta aptly put it, *'Sustainability does not come by working for people, but through working with people and to create opportunities to be done by people.'* This insight underscores a deeper systemic contradiction in funding distribution: marginalised communities, the typical 'targets' of such projects, are rarely empowered to sustain initiatives beyond the project cycle. Their involvement is only supported insofar as it conforms to externally defined, output-focused funding criteria. Even participatory models like CLLD reproduce this contradiction because their implementation is subsumed under the same market logics they are intended to counterbalance.

Overall, across all case studies, it became evident that under a market-driven model, the criteria imposed by EU and national agencies tend to favour actors capable of delivering measurable, cost-efficient outputs, often at the expense of meaningful and lasting social transformations. This emphasis on visibility and quantifiability was particularly problematic for projects addressing long-term structural issues such as

homelessness or educational disadvantage. The example of Košice illustrates this well. An organisation working with Roma communities to combat intersectional discrimination expressed concern over the ‘5-year cycle’ – the limited timeframe within which they are expected to demonstrate tangible outcomes. The sustainability of funding emerged as a critical challenge, with NGO workers consistently reporting uncertainty about how to continue their efforts once the funding ends. Similar concerns were echoed in other cities, where meaningful community engagement was often sacrificed in order to meet rigid implementation timelines. Yet, in all contexts, the need for these services continued to grow – whether due to the increasing ‘*unaffordability of urban life*’, as noted in Valletta, or the compounding effects of exclusion and discrimination in places like Miskolc. These patterns underscore the risk that even participatory instruments like CLLD, if constrained by narrow funding rationales, may ultimately reproduce the very inequalities they aim to redress.

### **Challenges of limited participation and inadequate inclusivity**

A third challenge that emerged consistently across all case studies was the exclusion of marginalised communities from the design and implementation of CLLD projects. A representative of an NGO from Miskolc pointed out the lack of co-production, suggesting that ‘*the involvement of various stakeholders in defining the needs of the target group and funding eligibility criteria are a must in order to have efficient policies that in fact reach the most marginalised.*’ This reflects a broader concern already discussed – namely that eligibility conditions are detached from lived realities and shaped by market logic. Moreover, without an inclusive approach, criteria often exclude those who really need services, as it is the case in Tallinn, where funding for housing projects is not allocated based on socio-economic needs, resulting in ‘*people who really need housing, who live below the poverty line, [being] left out of these programmes.*’

The lack of inclusive structures often leads to policy misalignments and loss of legitimacy. In a similar vein, during interviews in Valencia, local officials stressed the need for ‘*agile collaborative platforms*’ and ‘*frameworks of trust*’ that would allow integrating marginalised groups into decision-making processes. In a similar vein, in during interviews in Valletta, one informant suggested that city residents are frustrated that community needs were not prioritised: ‘*Residents do not need museums, but places where to meet, talk, have fun, and forget problems for a while.*’ During a meaningful conversation in the same city, another informant explained what he believed was the proper way to fund projects: ‘*keep in mind that first of all the resident comes first ... so we need to understand first of all what the people need and not to do a project for the sake of doing a project ... We have a lot of stakeholders that we must talk with, we must understand them.*’ Moreover, in some contexts, the assumption of one-size fits-all model further hinders the incorporation of local skills and experience. A Roma informant from Miskolc noted: ‘*I thought they expect a specific ... plan from us, which we think is feasible. But it turned out that they want to go by their own head.*’ During the conversation, further complaints highlighted the failure of institutional actors to recognise local expertise and to build genuine cooperation with residents.

The lack of inclusivity was evident in accessing services as well. Interviewees from Helsinki emphasised that shame and societal prejudice discourage some from seeking

help: *‘People feel a lot of shame . . . they don’t necessarily dare to use a given service . . . they need escort support.’* Another informant in Helsinki criticised the lack of inclusivity, noting that *‘the target group, for whom these things are done, is in that way outside everything . . . not very well able to participate in this kind of [process], as not knowing the language, and not necessarily even get the information.’* In Valletta, several informants were keenly aware of the challenges that the lack in inclusive frameworks leads to. Stakeholders warned that projects risk failure if community needs are not understood and addressed from the ground up. The leader of a community service organisation in Valletta explained the best way of implementing projects: *‘We start from the residents and then go up, rather than start an initiative and then implement it . . . we ask residents themselves what they would like to see, what they would like us to support them on.’*

Indeed, stakeholders also highlighted the benefits of overcoming these challenges. In Malta, a project leader observed: *‘When people are involved, there’s a sense of ownership . . . They will work with you to achieve what needs to be done.’* This sense of ownership, he explained, can lead to long-term and meaningful impact, which is conditional on inclusive project design. Another official in Valletta stressed the value of co-creation, noting *‘we view residents not as passive recipients but as partners in this project, in this journey.’* But inclusivity is hard to achieve; in Helsinki, one informant suggested that where good intentions exist, the target groups often remain unable to participate due to gaps in outreach, communication and support. As an informer in Valencia suggested, if *‘those people who have something to contribute are left out’* that makes projects not inclusive and indirectly discriminative. Yet, as these accounts make clear, even mechanisms like CLLD – designed to embed participation – often fall short of enabling genuine inclusion, highlighting a persistent gap between participatory intent and lived reality on the ground. Indeed, quantitative evidence from urban and non-urban LAGs similarly suggests that even where urban CLLD places stronger emphasis on social inclusion, the effectiveness of planned pro-inclusive activities often remains limited relative to the scale of exclusion addressed (Kola-Bezka 2020b).

The city-level interviews thus show how tokenistic co-production is experienced locally, while experts of the focus group discussion added a system-level view, proposing some explanations for this phenomenon. Limited participation of grassroots actors, especially those representing marginalised communities, was one of the most debated topics during the focus group discussion. Participants observed that, in practice, EU funds in general are still largely macro-level and do not reach the grassroots communities. This, as one participant explained, may be because the Commission’s representation does not penetrate local communities, due to the lacking local-language presence in media and meaningful engagement with local civil society actors. These structural issues, in turn, lead to clear disconnect and lack of community engagement – failures that were repeatedly discussed during interviews.

## Conclusion

Since the 2016 EU Urban Agenda, there is a pronounced shift from traditional top-down policymaking towards more collaborative approaches involving various stakeholders, with cities positioned as key actors in enhancing national and EU strategies. This Agenda was followed by multiple other initiatives that similarly emphasised

inclusive and sustainable urban development, as well as increased regional and local involvement in decision-making. The delegation of power to cities also served the purpose of better tackling social problems and inequalities, which are disproportionately affecting urban areas. With these changing dynamics, this article was concerned with understanding how social challenges are mitigated through EU funding and whether the most marginalised groups have access to funds.

Despite this policy approach, our examination of EU urban development funding criteria revealed a predominant economisation of policies, emphasising rapid implementation and immediate quantifiable results. Overall, the challenges highlighted across various European cities highlight the impact of neoliberal governance and economisation of policies on the accessibility of EU funds for marginalised individuals. Case studies revealed that excessive bureaucratic requirements and market-driven logic not only hinder efficient utilisation of funds at the local level but also perpetuate inefficiencies that limit direct assistance to those most in need. Moreover, the absence of co-production, inclusivity and myopic project design further restricts the effectiveness of initiatives and exacerbates these issues. Together, these challenges act as key obstacles to accessing EU funding in several European cities, leading to poor project or policy design. Recent programming decisions also show that CLLD is not a settled solution: some Member States reduced or discontinued cohesion-policy-funded CLLD in the 2021–2027 period, often citing administrative efforts and implementation concerns (Kah, Martinos, and Budzich-Tabor 2023). While the analysis centres on CLLD as a key policy tool, the structural and procedural barriers identified here extend to a broader set of participatory governance instruments under EU Cohesion Policy. The challenges documented are not unique to CLLD but symptomatic of deeper institutional logics embedded in EU urban funding frameworks.

Our examination also showed that current funding structures favour well-established entities with robust administrative capacities, thus posing barriers for marginalised groups, despite being the primary targets, impeding their access to these vital funds. We used neoliberal critique to unpack how economisation of policies is in fact acting as a major barrier to efficient implementation of key goals, posing difficulties for the most in need to access funds.

We discussed these findings using examples from case studies in several European cities. Building on our analysis, we stressed some implications for EU funding and urban policies, highlighting the importance of balancing top-down governance with bottom-up community engagement, as well as enhancing co-creation processes that involve diverse stakeholders from marginalised communities. As during a conversation in Valetta, one informant candidly offered advice to politicians: *'In my opinion, as a local politician, I think first of all you need to hear and then you act . . . You need to go to the residents and see what they need.'* Moreover, effective multi-level governance is necessary to move away from over-bureaucratisation and for fostering collaboration and ensuring the equitable distribution of resources. Addressing these structural issues requires a re-evaluation of EU funding mechanisms to better align with the complex realities of urban poverty and social exclusion.

Beyond the policy shortcomings, the article contributes to cohesion policy scholarship by analysing how neoliberal modes of governance, dominated by market rationality, quantification and excessive focus on efficiency, structure access to EU

resources. In doing so, it bridges empirical urban analysis with critical governance theory, offering a cross-national perspective on how institutional design and political rationalities shape exclusionary outcomes even within participatory frameworks. While existing research often unpacks administrative complexity or coordination failures, our analysis shows that these are symptoms of a deeper structural logic that prioritises measurable outputs over meaningful social transformation. Recognising economisation as central to current EU fund distribution helps explain why barriers persist despite policy innovations and repeated rhetorical commitments to inclusive practices.

By extension, the article also provides evidence for the tendency of economisation undermining democratic participation. With that, it also raises critical questions regarding the role of current funding structures of the EU institutions – that tend to reward administrative potential over community needs – reduce procedural compliance, and, importantly compromise inclusiveness of multilevel governance. In other words, economisation not only distorts project priorities but also narrows the space in which marginalised and vulnerable groups are able to voice their needs. Consequently, strengthening co-production should be seen not merely as a managerial reform, but as a democratic imperative.

In addition, there is a global relevance of addressing urban poverty and inequalities, as cities worldwide continue to grow and face increasing socio-economic disparities. The challenges identified exclusion due to institutional complexity, reliance on market-driven preferences, and lack of inclusivity mirror issues seen in urban centres across diverse geographic and socio-political contexts. In other words, our research underscores the importance of adopting holistic approaches that are mindful of local knowledge and lived experience, to cultivate sustainable partnerships that work towards social justice and inclusive urban development.

## Notes

1. The following cities were analysed as case studies: Hamburg (Germany), Helsinki (Finland), Kosice (Slovakia), Miskolc (Hungary), Roubaix (France), Tallin (Estonia), Valencia (Spain) and Valletta (Malta).
2. The Smart Matrix Analyser, developed collaboratively by Kantar Public and Faculty AI, is a secure, AI-powered platform (Group 2023).

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No potential conflict of interest was reported by the author(s).

## Declaration regarding use of generative AI tools

The authors used OpenAI's ChatGPT (GPT-5.1) solely for language polishing, formatting suggestions, and minor stylistic improvements. All conceptual development, analysis, interpretations, and conclusions are entirely the authors' own.

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## Appendix. Individual interviews for case studies

HELSINKI, FINLAND				
Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Civil society organization	Project worker	Persons involved in the design of the initiative	26 January 2022
2	Faith-based organization	Executive director	Persons involved in the upscaling of the initiative	27 January 2022
3	Civil society organization	Project worker	Persons involved in the design of the initiative	28 January 2022
4	Civil society organization	Service Manager	Persons involved in the design of the initiative	28 January 2022
5	Municipal authority	Executive Director	Persons involved in the upscaling of the initiative	28 January 2022
6	Faith-based organization	Head of Diacony	Persons involved in the upscaling of the initiative	2 February 2022
7	Civil society organization	Executive Director	Governance representatives	2 February 2022
8	Civil society organization	Project Worker	Vulnerable groups or representative bodies	3 February 2022
9	Faith-based organization	Housing Activities Coordinator	Persons involved in the upscaling of the initiative	3 February 2022
10	Civil society organization	Resident	Vulnerable groups or representative bodies	4 February 2022
11	Civil society organization	Resident	Vulnerable groups or representative bodies	4 February 2022
12	Civil society organization	Resident	Vulnerable groups or representative bodies	4 February 2022
HAMBURG, GERMANY				
Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Educational institution	Teacher	Representative of target group	28 January 2022
2	Municipal social services	Social worker	Representative of target group	30 January 2022
3	Civil society organization	Spokespersons' council	Civil society actor	31 January 2022
4	Non-profit organization	Coordinator	Municipal level	2 February 2022
5	Non-profit organization	Coordinator	Civil society actor	4 February 2022
MISKOLC, HUNGARY				
Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Community representative	Former President of Roma Municipality	Target groups or representative bodies	14 January 2022
2	Individual/Civil society actor	Sociologist and teacher	Target group	14 January 2022
3	Individual	Roma community member	Target group	11 January 2022 and 13 January 2022
4	Municipal authority	Deputy Mayor and Head of Tender Department	City level administration	2 February 2022

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5	Civil society organization	Community café employee	Civil society actor	27 January 2022
6	Civil society organization	Social worker	Civil society actor	13 January 2022

## VALLETTA, MALTA

Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Individual	Valletta resident 1	Vulnerable groups or representative bodies	14 January 2022
2	Individual	Valletta resident 2	Vulnerable groups or representative bodies	14 January 2022
3	Community service agency	Leader	Persons involved in the design of the initiative	12 January 2022
4	Community organization	Community builder and coordinator	Persons involved in the design of the initiative	4 February 2022
5	Community organization	Community development manager	Persons involved in the execution of the initiative	27 January 2022
6	Community service agency	Social worker and coordinator	Persons involved in the execution of the initiative	13 January 2022
7	Community organization	Social mentor 1	Persons involved in the upscaling of the initiative	14 January 2022
8	Community organization	Social mentor 2	Persons involved in the upscaling of the initiative	14 January 2022
9	Local council	Councillor for Social Aspects, Environment and Electricity	Governance Representatives	15 January 2022
10	Government agency	Chief Executive Officer	Governance Representatives	15 January 2022

## KOŠICE, SLOVAKIA

Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Municipal authority	Responsible for the execution of the initiative	Persons involved in the execution of the initiative	5 January 2022
2	Municipal authority	Head of social services section	Persons involved in the execution of the initiative	6 January 2022
3	Municipal authority	Manager of social department	Persons involved in the execution of the initiative	14 January 2022
4	Municipal authority	Employee of strategic department	Persons involved in the execution of the initiative	15 January 2022
5	Municipal authority	Project manager	Persons involved in the execution of the initiative	15 January 2022

## VALENCIA, SPAIN

Interviewee number	Type of institution	Title of position	Stakeholder group	Date of interview
1	Social enterprise	Team representative	Persons involved in the design of the initiative	11 January 2022
2	Social enterprise	Team representative	Persons involved in the design of the initiative	14 January 2022

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3	Civil society organization	Project representative	Vulnerable group representative	20 January 2022
4	Educational institution	Head teacher	Persons involved in the execution of the initiative	25 January 2022
5	Educational institution	Head teacher	Persons involved in the execution of the initiative	26 January 2022
6	Neighbourhood association	Representative	Persons involved in the upscaling of the initiative	1 February 2022
7	Neighbourhood association	Representative	Persons involved in the upscaling of the initiative	3 February 2022
8	Local government	Government representative	Governance representative	2 February 2022

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