

Beyond "Absorption": the Impact of EU Structural Funds on Greece

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Auslandsbüro Griechenland
Αντιπροσωπεία στην Ελλάδα

Beyond "Absorption": The Impact of EU Structural Funds on Greece



Panagiotis Liargovas, Sotiris Petropoulos,
Nikolaos Tzifakis and Asteris Huliaras

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September 2015

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Beyond “Absorption”: An Introduction to the discussion on the Impact of EU Structural Funds on Greece

Panagiotis Liargovas, Sotiris Petropoulos, Nikolaos Tzifakis and Asteris Huliaras

Since 1981, Greece has been a major beneficiary of EU funds (European Regional Development Fund, European Social Fund, Cohesion Fund and structural support for agriculture). For decades, the average EU transfers ranged from 2.4-3.3% of the country’s annual GDP. EU’s structural aid – about € 22 billion for 2007-13 – still continues to finance thousands of projects all over the country in almost every sector of the economy – from motorways construction to human resources upgrade.


Brussels has commissioned a large number of ex ante, ex itinere and ex post evaluation studies that have assessed the direct impact of the Structural Funds. The usual method applied was to measure outputs in relation to the counterfactual: how many more kilometres of road it could have been possible to construct, how many more new business start-ups could have been supported, how many more people could have been trained. Thus, evaluation focused on projects or actions with Community support, which would not have been realised otherwise.

Over time, much progress has been registered in EU’s evaluation practices at both project and program levels. For instance, until the midst of 1980s in Southern Europe, the use and effect of “substantial amounts of expenditure could not be accounted for” (Bachtel & Michie, 2007: 745). With the 1988 and 1993 reforms of the Structural Funds, evaluation gained a prominence it had not had before. However, even in the early 1990s, a survey concluded that the growth of evaluation practices in the EU owed “more to the wit of individual evaluators than to any formalized system of knowledge” (MEANS, 1991). To be sure, the introduction of multi-annual programming (with the objective of achieving economic, social and territorial cohesion) contributed to the attainment of significant improvements in the evaluation process (Gaffey, 2013: 195). The Commission also made significant efforts to distinguish short-term direct effects (results) from longer-term indirect effects (impact). In 1995, it established the MEANS (Means for Evaluating Actions of a Structural Nature) programme that produced a six-volume set of handbooks on monitoring and evaluation approaches and techniques. In 2000, MEANS was succeeded by EVALSED – an online resource on evaluation guidance that is now updated regularly (Gaffey, 2013: 196).

Since the Structural Funds fundamental objective is to support economic and social cohesion across and within the member states of the Union, EU’s evaluations have focused on measurable outputs. Their verdict has generally been positive. For example, it has been estimated that in 1994-1999, the European Regional Development Fund, the European Social Fund and the Cohesion Fund contributed to the creation of 390,000 jobs in Greece (Beutel, 2002). Nonetheless, these estimates were based on national reporting that was often of dubious quality. For example, Greece reported jobs created during the construction of EU-funded buildings – “which by definition is not an impact” (Gaffey, 2013: 198).

In addition to reporting improved infrastructure and upgrade of human capital, there has also been considerable criticism. Weak institutional framework and capabilities, low planning capacity, cumbersome bureaucratic procedures and lack of experienced staff were often cited as factors delaying decisions and forestalling outcomes. Corruption made matters worse. For instance, the EU Court of Auditors reached the conclusion that in several cases a significant percentage of total payments should not have been made in the first place. A recent report disclosed that an extension of the runway of Kastoria airport that cost € 5.6 million in 2005, has never been used by the type of aircraft for which it was built (European Court of Auditors, 2014).

In contrast to the EU’s evaluation studies whose time-span was usually limited to the five-year programming period of funds, several academic studies have examined the medium- to long-term impact of the EU financial transfers on economic growth (national and regional). Most studies have found a positive correlation between EU funds and economic performance (Funck and Pizzati, 2003; Fagerberg and Verspagen, 1996; Pereira, 1997; Cappelen, et al. 2003; Puigcerver-Peñalver, 2004). For instance, the Hermin model simulations for the period 2000-2006, demonstrated that the impact of the Funds on Greece’s real GDP reached 6 per cent (Funck and Pizzati, 2003: 250). Surprisingly, a few analysts reached a different conclusion. They claimed that European support as such, did not improve the growth performance of the recipient regions and countries. One study even argued that the



Structural Funds have not stimulated growth in most of the cases (Ederveen et al., 2006). Christodoulakis and Kalyvitis (1998) concluded that, in the absence of externalities, Community Support Framework actions produced only a temporary rise in productivity and employment in Greece. In that case, if the inflows of EU funding expired, the economy would return to the course that would have been the case without the Union's support.

The view that emphasizes the institutional capacity of the recipient state is in line with well-documented empirical findings on the effectiveness of foreign aid to less developed countries. The verdict on foreign aid is absolutely clear: recipient institutions and recipient policies matter a lot in aid effectiveness (e.g. Acemoglu et al 2004). Probably the most cited study, the World Bank (1998), has estimated that a \$10 billion increase in foreign aid flows would lift some 25 million people a year out of poverty if foreign aid favoured countries with sound economic management. Nevertheless, the figure drops to only 7 million people a year if the aid was indiscriminate on the basis of governance quality (The World Bank 1998).

However, in the EU context, such an argument is a rarity. Politics probably explain silence. Several analysts such as Gary Marks (1992: 198) have asserted that Structural Funds were a form of "side-payment" given to poorer member states to compensate for potential losses caused by the liberalization of their markets. In other words, the Cohesion policy represented "a response to new conceptions of fairness and equality" developed inside the EU institutions and among the member-states (Mark 1992: 202). From this political standpoint, the effectiveness of Structural Funds appeared to be a secondary matter. However, even in academic literature on the effectiveness of Structural Funds, very few studies benefit from or even mention the accumulated findings of almost four decades of research in foreign aid.

In a sense, this is a reasonable omission. At first glance, EU Structural Funds and foreign aid money are two different things. EU's resources for the Structural Funds are not regarded as "Official Development Assistance" (ODA - the official term for "foreign aid"). They have never been included in relevant OECD statistics and they have never been reported in the so-called "leagues of generosity" that classify donors according to the resources they devote to international development. EU funds for "cohesion" are considered as an "internal" reallocation of funds within the EU, totally different from North-South transfers.

There is a strong rationale in this: there are a lot of differences between a Mediterranean EU member-state and an aid recipient developing country. Whereas the Greek GDP per capita is \$29,700, the corresponding Tunisian one is equivalent to \$8,000; and Rwanda's per capita income is around \$1,000. Greece has educated workforce, complex institutional architecture and sophisticated banking system. It has an integrated economy that does not exhibit the conflictual dualisms (agricultural vs. industrial, traditional vs. modern), which are the norm in many developing nations. Therefore, Greece is entirely different from development assistance recipients, while the Structural Funds are not merely aid money.

On 18-19 September 2014, the Department of Economics and the Department of Political Science and International Relations of the University of Peloponnese, the Greek Politics Specialist Group (GPSG) of the UK's Political Studies Association (PSA), and the Hellenic University Association for European Studies (EPEES) organized with the support of the Konrad-Adenauer-Stiftung (KAS) a conference entitled "Beyond 'Absorption': The Impact of EU Structural Funds on Greece (1981-2013)". The aim of the conference was to assess how the EU funds have contributed to Greece's growth and development through the examination of a series of case studies based on a variety of different methodological approaches and analytical standpoints.

The edited volume at hand consists of updated versions of some of the most interesting papers that were presented in the conference. Contributions to this book cover various aspects of the effects EU Structural Funds have on Greece, going far beyond the usual assessments of quantifiable outputs. In other words, our concern was not to replicate EU's evaluation reports and assess compliance with the EU's rules focusing on measurable aspects. In this respect, we believe that the volume offers some valuable insights owing to the fact that it raises questions that are often overlooked in ordinary assessments/evaluations prepared on behalf of the EU and national authorities.

The structure of the book

The book is loosely structured into four sections. Chapters 1-3 question the impact of EU Structural Funds on development and competitiveness. Chapters 4-5 delve into the role of sub-state actors in the implementation of EU's projects at national level. Chapters 6-8 focus on the leeway of regional authorities and the regional impact of Structural Funds. Finally, chapters 9-11 examine the effectiveness of the EU's assistance across three different sectors: the strengthening of civil society organizations, stimulation of employment and improvement of Technological Educational Institutions.

In the first chapter, Heinz-Jürgen Axt argues that Greece, Spain and Portugal have largely benefited from EU cohesion policy. In per capita terms, EU's structural assistance during the period 1994-1999 amounted to 1,369.38 ECUs in Greece, 1,130.26 ECUs in Spain and 1,416.70 ECUs in Portugal. However, when the financial crisis broke out in 2008, Greece proved to be among the most vulnerable members: its competitiveness was not sufficient to combat the pressure from international financial markets. In this respect, it is evident that EU cohesion policy does not necessarily increase member-states' competitiveness, and thus, Axt argues in favour of an extensive reform of EU's structural policy and examines the possible alternatives.


Panagiotis Liargovas and Nikolaos Apostolopoulos analyze in chapter 2 the impact of Structural Funds on Greece's GDP, and investigate how the national authorities have managed Structural Funds in order to achieve growth based on sustainability. In this regard, environment and energy, as major sectors of sustainable development, are explored from an economic and policy perspective. The analysis of Liargovas and Apostolopoulos embodies Europe's 2020 quantitative targets in order to explore progress attained during the previous decade. The paper indicates that the exploitation and effects of Structural Funds were not the expected ones. Furthermore, they argue that lack of political will, institutional weakness, market obstacles and mismanagement by government authorities have created a number of shortfalls.

Focusing on the developmental model promoted by the EU Structural Funds, Alexandros Karvounis and Nikos Zaharis examine in the next chapter, the macro-level choices made by several Greek governments, focusing on investments in three major sectors: public infrastructure, human capital and support of private investment in the secondary and tertiary education. The two authors attempt to map the investment priorities in these three sectors, analysing their impact on the country development pattern and providing insights for the choices made. Finally, they offer a preliminary view on the new programming period planning (2014-2020) and the potential contribution towards Greece's achievement of the EU 2020 objectives.

Chapters 4 and 5 highlight the role of sub-state actors from two different analytical approaches: the policy network theory and the principal-agent model. In particular, George Andreou argues that the bulk of literature on cohesion policy in Greece focuses on the relations between the European Commission, central government and subnational actors. However, the most tangible effect of cohesion policy has been the proliferation of special-purpose organizations located "outside" the mainstream public administration. Andreou seeks to identify those actors and assess their role in the overall governance architecture of cohesion policy with the aid of the policy networks concept. The paper argues that, despite its usefulness, the existing model of a single "cohesion policy network" is too crude; a "multiple network approach" is thus advocated.

In chapter 5, Maria Mendrinou and Nikolaos Tzifakis examine the analytical merits of the principal-agent model for the study of the implementation of the EU cohesion policy at national level. The two authors test the utility of the model in a single case study: the "Extended University Programs" (Programmata Spoudon Epilogis, PSE) that were organized to support lifelong higher education in Greece. Mendrinou and Tzifakis present the complex interplay of interests among the main actors who got involved in the establishment of the PSE and argue that this program failed due to the emergence of multiple objective misalignments among actors located at different parts of the contract chain, all the way down from Commission to final agents on the ground.

The next three chapters debate the role of regional authorities and the regional impact of structural funds. In chapter 6, Fotini Papoudakis examines whether and to what extent the application of the principle of



partnership induced changes in domestic regional policy process during the first two Community Support Frameworks (CSFs) for Greece, and analyses the relations between the various levels of governance. Her research shows that there was a tendency towards preservation of the existing centralised system of governance, as opposed to the dispersion of powers dictated by the principle of partnership.

The contribution of Georgios Koukoufikis investigates the relationship established between the policy agenda of the EU regions on the thematic field of innovation and EU cohesion initiatives and assesses its effectiveness. He focuses on two case studies (regions of Thessaly/Greece and Basse-Normandie/France) analyzing the general context and the innovation opportunities, as well as the EU's impact on it through the use of information collected from interviews with local actors and official documentation. Findings indicate significant differences in the way European regions perceive innovation and incorporate it into their policies, a reality that can potentially lead to cohesion policy failures.

In chapter 8, Panagiotis D. Koudoumakis and George N. Botzoris introduce another regional dimension of EU Structural Funds through an evaluation of the contribution of those funds to the developmental strategy of the Region of East Macedonia-Thrace (REMTh). Analyzing data from all the projects financed in the REMTh since 1994, the two authors demonstrate that it has always been a priority to improve basic infrastructure and implement projects that would overcome the region's geographic isolation. They conclude that a different hierarchy of needs should have been taken into consideration.

The following three chapters assess sectoral effectiveness of the EU cohesion policy.

In chapter 9, Sotiris Petropoulos and Asteris Huliaras examine the impact of EU funds on the Greek civil society, and more particularly, on the NGO sector. Indeed, EU money had a positive impact: several civil society organizations with weak structures and little experience on how to manage funds and implement projects learned how to set objectives, respect timeframes, organize their offices, manage human resources, do fundraising and evaluate their activities. However, EU funding has also created a rent-seeking civil society, undermining in many respects its ability to attract volunteers, promote trust and create an 'autonomous sphere' that could enrich and deepen democracy. In several respects, EU funding undermined the Greek civil society, creating a widely held perception that volunteers are naïve 'romantics' and that NGOs and other civil society organizations are just another clever way to make easy money.

The contribution of Georgios Ioannides examines the relationship between the Greek employment policy and the EU Structural Funds. The author argues that the Greek employment policy has fully adopted the form and discourse of the European Employment Strategy, yet only superficially; in fact, it has been only marginally influenced by it. The compliance of the Greek employment policy with the European guidelines for employment was primarily aimed at ensuring the flow of European resources, and only secondarily at improving the effectiveness of the implemented policies. In that sense, the case of Greece can be described as a case of "ritual compliance"; that is an adherence to the form rather than to the substance of the matter.

Last but not least, Spyros Stamoulis focuses on the implementation of the 1st and 2nd Operational Programme for Education and Initial Vocational Training in the Greek Tertiary Education. Stamoulis analyses the influence of funding from the 2nd and 3rd Community Support Framework (CSF) to the Technological Educational Institutes (TEIs). The chapter presents the national programme for the expansion of Tertiary Education, and concludes that funds were largely wasted and the country missed an opportunity to modernize its tertiary technological education.

Overall, the edited volume at hand provides a series of complementary (and at times divergent) approaches and arguments to account for the causes of failures of the EU cohesion policy in Greece. Whereas the book does not reach a final verdict on what has gone wrong, it arguably opens the debate for a more systematic discussion on how EU Structural Funds failed to bring change. The realization of failure may trigger a debate on how to avoid similar mistakes, how to promote modernization and invigorate sustainable growth at a critical time in the country's history.



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Greece not Competitive in Spite of European Subsidies: The EU Should Rethink its Cohesion Policy

Heinz-Jürgen Axt

Greece, as well as Spain and Portugal which joined the European Union in 1981/ 1986, are member states which benefitted to a greater extent from the EU's cohesion policy. In the financial period from 1994 to 1999, statistically, every Greek received 1369.38 ECU, every Spaniard 1130.26 EU and every Portuguese 1416.70 ECU from structural funds (Axt 2000, 114). However, when the financial crisis struck in 2008, Greece proved to be vulnerable: Its competitiveness was not sufficient to combat the pressure from international financial markets which demanded excessive yields from this highly indebted country. When we perceive the EU's cohesion policy as a lever to increase the competitiveness of member states so that they participate in the internal market effectively, we have to pose a double question: To what extent did cohesion policy increase competitiveness? And what would be the alternative(s)? This article tries to provide some explanations. It will begin with some basic information about cohesion policy and explain to what extent Greece benefitted from it. The next section refers to the effects of cohesion policy. As a suboptimal outcome is diagnosed, exogenous and endogenous reasons are illustrated separately. The article argues that cohesion policy needs alternatives as long as it concentrates on promoting the regions throughout recipient member states. The article concludes with some ideas about alternatives to existing cohesion policy. It is not the author's intention to provide a complete prescription of policy alternatives but rather to appeal for an open discussion which has already begun in Greece, as this volume proves.

1. Cohesion policy – dynamically and focussing on regions

The EU budget was 135.5 billion euros (payment appropriations) in 2014. Seen in absolute terms, this is a respectable sum. But compared with EU gross domestic product (GDP) the budget is rather limited as it only equal to 1% of that. By contrast, the budgets of member states – take e.g. Germany – represent 10% of GDP (European Commission, Financial Programming and Budget). Forty-six per cent of the EU budget, i.e. 62.4 bn euros, is available for cohesion policy, with 11.4 bn for "Competitiveness for growth and jobs" and 51 bn for "Economic, social and territorial cohesion".

The term cohesion policy needs to be clarified. It is used here for all interventions which are financed by the structural funds of the EU. Those are the European Regional Development Fund (ERDF), the Cohesion Fund, the European Social Fund (ESF) and the Instrument for Pre-accession Assistance (IPA). As will be shown later, it is mostly less developed regions that benefit from those funds.

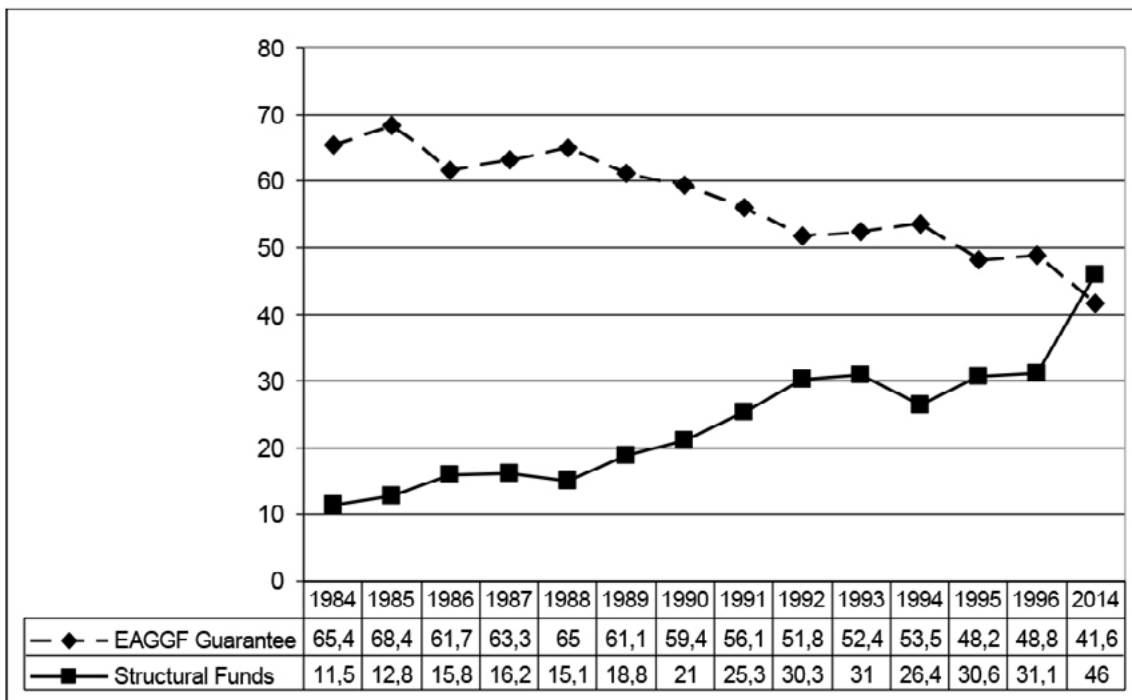
The cohesion policy of the EU is a rather "young" policy, it was not included in the budget when the European Community was founded. The Treaty of Rome declared in its preamble that the differences existing between the various regions and the backwardness of less favoured regions should be reduced. Although the Treaty established the European Social Fund (ESF), the European Investment Bank (EIB) and the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), the founders of the European Community were optimistic that the creation of an internal market would have a positive impact on the development of less favoured regions. It needed the accession of less developed states to establish a European policy aiming to reduce regional disparities. When Denmark, the United Kingdom and Ireland joined the European Community in 1973, regional disparities were exacerbated. The Community responded by creating the European Regional Development Fund (ERDF) in 1975. The main objective of the ERDF was to promote industry and infrastructure and thus address the problem of unequal development across the regions.

When Greece, Portugal and Spain joined the European Community, the number of European citizens living in regions with a per capita GDP below 50% of the Community average doubled. A first step to address this problem was to create the Integrated Mediterranean Programmes (IMP), a seven-year budgetary commitment to regional economic development in Greece, Italy and Southern France (Cini/ Pérez-Solórzano Borragán 2010: 294).

Seen from a financial perspective, the cohesion policy is the most dynamic of all the EU policies. Forty-six per cent of the EU budget was allotted to the cohesion policy in 2014 and 41.6% to the Common

Agricultural Policy. As demonstrated in picture 1, the Common Agricultural Policy lost importance in the Union's budget. In the early 1980s more than 60% of the whole EU budget was allotted to agricultural policy, whereas structural funds had to make do with a little over 10%. This ratio altered however, particularly after 1988. The Brussels European Council of that year agreed on policy reforms which became known as the Delors-1 package. It was decided that structural funds should double in real terms by the year 1992. At the same time the Single European Act sought to deregulate and liberalize so that the internal market would be finalized by the end of 1992. Greece, Portugal and Spain were concerned that they would not withstand the increased competitiveness of the internal market. They demanded financial assistance and the President of the Commission, Jacques Delors, was able to find a compromise: increased liberalization was accompanied by a substantial expansion of the money for structural funds.

Figure 1: Proportion of the EAGGF-Guarantee and the Structural Funds of the EU Budget (in %)



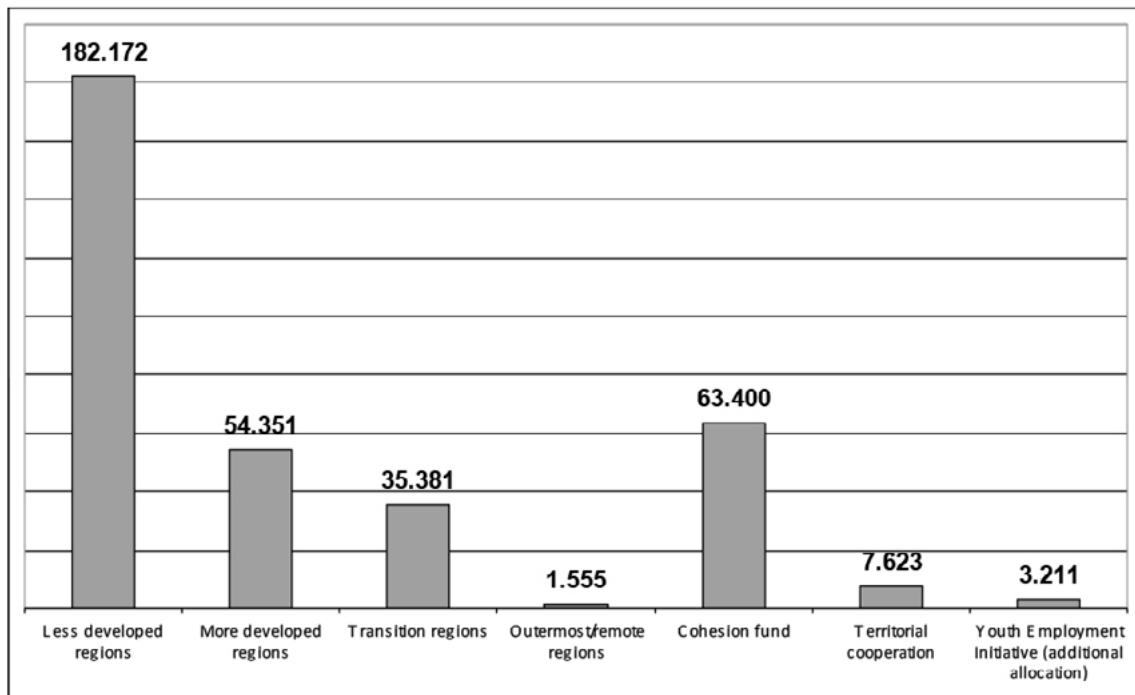
Source: Axt 2000, 218 (updated)

For the financial period from 2014 to 2020, a total of 453.181 bn euros is available for cohesion policy. As was the case in the past, it still concentrates on promoting the development of less developed regions in the Union. The amount of 453.181 bn euros is to be distributed under the following subheadings (see picture 2):

- 40.2% to promote development in less developed regions (regions with a GDP per head below 75% of the EU average);
- 12% for the benefit of more developed regions;
- 7.8% to support transition regions (a GDP per head of between 75% and 90% of the EU average);
- 0.3% to support outermost and remote regions;
- 14% to assist member states with a GDP below 90% of the EU average through the cohesion fund;
- 1.7% for territorial cooperation;
- 0.7% as an additional allocation to the Youth Employment Initiative to reduce youth unemployment.

Additionally, 95.577 bn euros (21.1 %) is allotted to rural development and 5.749 bn euros (1.3 %) to the European Maritime and Fisheries Fund (EMFF).

Figure 2: Total EU allocations of Cohesion Policy 2014-2020 in billion Euros (current Prices)



Source: European Commission, EU cohesion funding – key statistics

2. Cohesion policy and Greece

Referring to the EU enlargement of 2004 and 2007, there was a concern that this would have negative consequences with respect to the distribution of structural funds. Greece was among the sceptics. As we can see today, this apprehension had some substance. Seen from a simple financial perspective, financial transfers to Greece decreased: The country received 21 bn euros in the period from 2000 to 2006, 20 bn euros from 2007 to 2013 and it will receive 16 bn euros from 2014 to 2020. Two reasons are crucial:

- First, seen from a simple statistical perspective, Greece has become richer via enlargement as the EU as a whole has become poorer. Besides Greece, other countries shared the same fate: Spain, Germany, the United Kingdom, Finland, Austria, the Netherlands, Ireland, Denmark and Luxembourg. This phenomenon became known as the “statistical effect” of enlargement.
- Second, the EU modified the criteria of cohesion policy, so that countries like Italy, Portugal, France, Belgium and Sweden faced an increase in EU transfers.

We should, however, be cautious about drawing conclusions prematurely. The decrease in EU cohesion policy transfers is not the main reason why Greece performed so badly during the financial crisis. This paper will show that other parameters were more important. Some of them relate to the worrying lack of competitiveness of Greece, others to deficiencies in the EU cohesion policy.

The European Commission is more optimistic about the effects of cohesion policy. It identifies the following positive effects in Greece for the period from 2000 to 2006:

- an increase in GDP of 2.8%;
- technological innovation by 23,000 enterprises;
- 7,000 start-up enterprises;
- 14,000 new jobs;
- assistance to 3,500 research projects;
- infrastructure improvements;
- vocational training for 257,000 people. (European Commission, European Cohesion Policy in Greece).

From 2007 to 2013, the EU invested 6 bn euros in Greece to improve its transport infrastructure, 5.5 bn euros to boost its environmental situation, 3.6 bn euros to support research and development and 2.2 bn euros for vocational training.

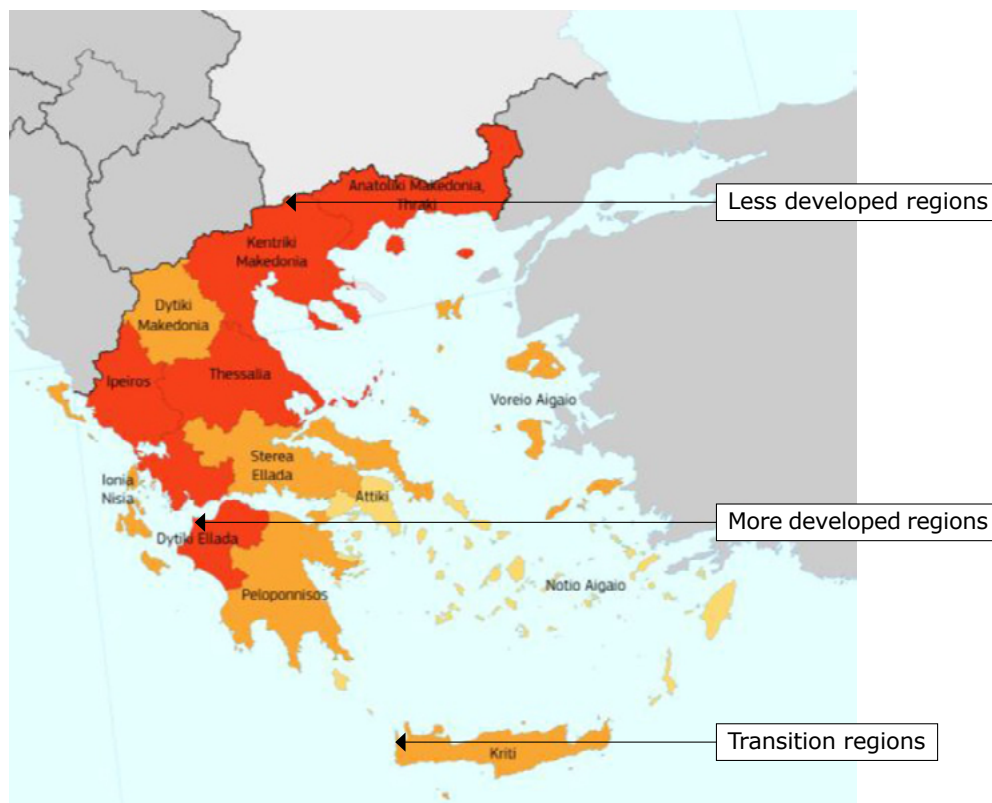
Following the Commission, the ERDF and the Cohesion Fund helped Greece during the financial period 2007–2013 to:

- create more than 21,000 jobs (over 20,000 of these in small and medium enterprises);
- start up more than 2,400 businesses and invest directly in over 30,000 small and medium enterprises;
- extend the coverage of broadband Internet to include 800,000 additional citizens;
- improve urban transport to the benefit of over 27,000 people;
- invest in water projects benefiting over 450,000 people (European Commission, Cohesion Policy and Greece).

3. Cohesion policy in Greece across the country

For the period 2014 to 2020, most regions in Greece will be subsumed into less developed regions. Five out of thirteen regions are eligible for financial support under the objective of “Convergence”: Eastern Macedonia and Thrace, Central Macedonia, Thessaly, Epirus and Western Greece. Six regions are identified as transition regions: Western Macedonia, Continental Greece, Ionian Islands, Peloponnese, Crete and Northern Aegean Islands. Two regions are handled as more developed regions. These are Attica and South Aegean Islands (European Commission, Cohesion Policy and Greece). When we look at a map of Greece we realize that the whole country is benefitting from the EU’s cohesion policy.

Figure 3: Greece: Structural Funds (ERDF and ESF) eligibility 2014-2020



Source: European Commission, Cohesion Policy and Greece

For 2014 to 2020 Greece has been allocated 15.35 billion Euros (current prices) in total Cohesion Policy funding. As Table 1 indicates nearly half of all transfers are distributed to less developed regions as they have been listed above. Financial transfers from the Cohesion Fund come in second. One fifth of all subsidies are labelled under the Cohesion Fund.

Table 1: Greece: total EU allocations of Cohesion Policy 2014-2020 in billion € (current prices)

	Less developed regions	More developed regions	Transition regions	Cohesion Fund	Territorial cooperation	Youth Employment Initiative (additional allocation)
Billion Euros	7.034	2.528	2.306	3.250	0.232	0.172
Ratio in %	45.82%	16.46%	15.02%	21.17%	1.51%	1.12%

Source: European Commission, EU cohesion funding – key statistics

In order to demonstrate the programmes and projects that the EU cohesion policy supports in Greece, some examples for the period 2007–2013 are:

- 12.5 m Euros were spent in Greece and neighbouring regions for the programme “Alterenergy for sustainability in the Adriatic”. The intention was to increase energy efficiency in small municipalities.
- 355,000 euros were spent to expand the wireless local-area network (WLAN) in the mountainous region of Kozani.
- 1.7 m euros were invested to establish a science and technology park in Epirus.
- 2.4 m euros came from the EU to meet the challenge of climate change in some cities.
- 605,000 euros were distributed to establish a conference centre in Sterea Ellada.
- 36 m euros were invested to expand the Internet for hotels all over Greece.
- 51 m euros were spent to complete the Metro in Athens.
- 1.2 m euros were distributed to raise environmental consciousness in small and medium-size enterprises in Spain, Italy and Greece.
- 265,000 euros were invested in Crete to commercialise scientific innovations.
- 38 m euros were distributed by the EU for the regeneration of a dried-up lake in Thessalia. The intention was to improve the quality of the drinking water and boost tourism.
- 1.3 m euros were invested to extract drinking water from the sea around the Aegean islands.
- 66 m euros came from the EU for the construction of a motorway on the peninsula of Kassandra in Northern Greece.
- 77 m euros were allocated to complete the Egnatia motorway project, to improve the infrastructure from Epirus to Thrace.
- 33 m euros were invested to expand the port in Igoumenitsa so give ferryboats better access to Italy and the Ionian islands.

It becomes obvious that the EU’s cohesion policy supports all regions in Greece. There may be good arguments for all of those investments, but if the basic principle of economics is scarcity and if we have to prioritize, then the question arises: Doesn’t the EU’s structural policy distribute available funds with a watering can?

4. Effects of cohesion policy

What have been the effects of EU cohesion policy? To answer this question, GDP per head according to purchase-power standards (PPS) should be analysed. The following observations are made:

- First, from 1982 to 2000, Greece became poorer in comparison with the average of the EU-15. In 1982, Greece recorded a GDP per head in PPS of 56.1%. This figure had decreased to 52.1% by 2000 (Dauderstädt 2012, 9–10).
- Second, from 2002 to 2013, Greece had to face a loss of prosperity in comparison with the EU-28. In 2002, Greece’s GDP per head was 90%. By 2013 that figure had decreased to 75%. Two consecutive crises played a crucial role:
 - In 2004, Greece recorded a GDP per head of 94% in comparison with the EU-28. One year later the figure had decreased to 91%.
 - And the severe crisis of 2009 worsened the situation even more. In 2009, Greece’s GDP per head amounted to 95%, whereas only 89% was recorded in 2010 (Eurostat, GDP per Head).
- Third, observations made with respect to the whole of Greece are replicated at the level of the regions: As mentioned before, Greece is divided into 13 regions. Only 2 of these regions were able to improve their prosperity standard in the period from 2000 to 2011. Western Macedonia had a GDP per head

of 76% in 2000. The region improved this to 80% in 2011. And Attica improved from 96% to 107%. Eleven out 13 regions saw a reduction in GDP per head.

It would be simplistic to argue that the socio-economic development of a country depends solely on financial transfers from cohesion policy. That is not the argument here. As will be demonstrated later, other factors have to be taken into account too. But it is not unfair to ask to what extent cohesion policy is able to help a country to help itself. If we take competitiveness in the EU internal market as a criterion we must realise that despite the considerable financial transfers under EU cohesion policy, Greece faced severe problems in terms of improving its prosperity and competitiveness.

5. Reasons for suboptimal performance

That the effects of cohesion policy proved to be limited should be attributed to two different reasons: exogenous ones on the one hand, and endogenous ones on the other. Exogenous causes are related to the situation in the beneficiary country; endogenous reasons have to do with the cohesion policy itself.

a) Exogenous reasons

The EU's cohesion policy has developed a strict system for monitoring and evaluation over the years. However, counterproductive factors have hindered cohesion policy performing more convincingly in Greece. Among others, the following factors have had a negative impact on the effects of cohesion policy:

- Corruption. According to Transparency International, Greece is ranked lowest among all EU member states. (Transparency International 2013) Corruption has a negative impact on economic development and favours the misallocation of financial means.
- Clientelism. Academic research describes clientelism as "transaction, the direct exchange of a citizen's vote in return for direct payments or continuing access to employment, goods and services" (Kitschelt and Wilkinson 2007: 2). As is the case with corruption, clientelism has a negative impact and degrades the effects of EU cohesion policy.
- Ineffective administration. The past public administration in Greece did not encourage entrepreneurial engagement and investment. That is why structural reforms since 2010 have focused on more efficient administration in Greece. And as we can learn from World Bank reports and others, Greece has made some progress (World Bank Group, Doing Business).
- Low absorption rates. The limited efficiency of the public administration resulted in low absorption rates for cohesion policy. In December 2010, Greece was ranked 17th among 27 EU member states. The absorption rate for structural funds was 21.86%, whereas the EU average was 22.94%. With the assistance of the Commission and the Task Force for Greece, the situation improved. In June 2014, Greece was ranked in 5th position at the EU level (Task Force for Greece, July 2014).
- Decreasing competitiveness. Greece lost competitiveness in the past as we learn from effective exchange rates (see Table 2). That was crucial as it confirmed the cohesion policy's inability to foster economic dynamics by increasing competitiveness.

Table 2: Real effective exchange rate in Greece 2003 to 2013

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Exchange rates	96,84	99,34	100	97,88	98,69	100,97	104,58	101,92	100,44	91,23	85,82

Source: Eurostat, Real effective exchange rates

The EU took into account the problems of poor administrative capacity and low absorption rates when it introduced some relevant innovations after 2009. The intention was to facilitate access to cohesion policy and take better care of implementation.

- First, the EU co-financing rate for Greece increased to 95% (top-up). This measure reduced the requirements for national co-financing from the national budget. Referring to the Commission, Greece received an additional 1.3 bn euros in that way (European Commission, Cohesion Policy and Greece).
- Second, together with the Greek authorities, the Commission compiled a list of 181 strategic projects. All of them are supposed to have a positive impact on economic growth¹. In that way, projects worth 11.5 bn euros should be implemented by the end of 2013. It was estimated that up to 108,000 new jobs would be created.

b) Endogenous reasons

It would be unfair solely to blame the national authorities for the limited effectiveness of EU cohesion policy. It is argued here that cohesion policy itself has its limits as long as it focuses on regional development. When economic growth and competitiveness should be the priority, particularly in times of crisis, it is inevitable to check which types of projects can be seen as having positive effects.

To answer to this question one may rely on a research project carried out by the Centre for Economic Research in Mannheim in 2012. The title of the study is "Growth Enhancing Expenditure in EU Cohesion Spending from 2007 to 2013". A total of 3,600 projects – sponsored by the EU's cohesion policy – were analysed.

The findings are very disillusioning: In only 37% of all projects could positive effects on economic growth be identified: "With respect to the share of growth-enhancing spending, we find that the share of spending without growth effects amounts to up to 63% under a pessimistic scenario" (Zentrum für Europäische Wirtschaftsforschung 2012: 5).

Following a pessimistic scenario, economic growth effects were absent for the following types of projects: tourism and culture, urban development, administration of structural funds, business consultancy, administration, social inclusion and strategies for territorial development. Moderate effects were identified in: health sector, environment and energy.

The project's findings attributed positive effects to the following projects: vocational training, transport, research and development, rule of law and crime prevention, communication.

In order to avoid any misunderstanding, it should be recalled that the critical judgements did not disqualify projects funded by the cohesion policy funding as such. But too many of those projects missed out on positive growth effects. As long as countries like Greece suffer from low competitiveness there are convincing arguments to prioritize growth and competitiveness in cohesion policy.

But it is the primary law of the EU which makes it difficult to move in such a direction. The legal basis of cohesion policy can be found in Art. 174 of the Treaty of the Functioning of the EU (TFEU). As is fixed there, cohesion policy focuses on reducing regional disparities: "In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions."

As long as cohesion policy primarily follows this intention, it will be difficult, if not impossible, to concentrate on growth. That cohesion projects in the past were widespread across the whole of Greece was a logical consequence.

¹ Following a meeting on 28 November 2013 between the European Commissioner for Regional Policy Johannes Hahn and the governors of the Greek regions and mayors from the main cities, an updated list of priority projects to be co-funded by the European Commission was presented. This list will be updated regularly, as new projects are added, in order to use the EU's structural funds and cohesion fund in the most optimal way, to ensure that high-quality projects with strong added value will foster economic growth and create new jobs in all Greek regions (Hahn, 2013).

To be fair, the financial period 2014-2020 might offer chances to release cohesion policy from the priority for regional convergence. As Table 3 shows, EU cohesion policy has reduced the proportion of financial means available for reducing the disparities of those regions where GDP per head is below 75% of the EU average. While 63.4% of structural funds were directed to less developed regions ("Target No. 1") in the financial period 2000–2006, this share was reduced 40.2% in the current period of 2014–2020. The finances of the cohesion fund have seesawed somewhat, from 13.2% in the period 2000–2006 to 20% in 2007–2013 and 14% in 2014–2020.

Table 3: Proportions of finance for reducing regional disparities and of the Cohesion Fund

	2000-2006		2007-2013		2014-2020	
	Mill. €	%	Mill. €	%	Mill. €	%
Regions <75% EU GDP	135,900	63,38%	199,322	57,37%	182,172	40,19%
Cohesion Fund	28,212	13,24%	69,578	20,02%	63,399	13,98%
Total	213,000	100%	347,410	100%	453,180	100%


6. What might be the alternatives?

Meanwhile, it is well known by relevant actors that something must be done. The European Council stressed on 21 July 2011: "We call for a comprehensive strategy for growth and investment in Greece. We welcome the Commission's decision to create a Task Force which will work with the Greek authorities to target structural funds on competitiveness and growth (accentuation by the author), job creation and training. We will mobilise EU funds and institutions such as the EIB towards this goal and relaunch the Greek economy. Member States and the Commission will immediately mobilize all resources necessary in order to provide exceptional technical assistance to help Greece implement its reforms" (Council of the European Union, 2011).

Up to now the results of such an innovative approach have been limited. An academic scholar could ask: What might be the alternatives? ² The argument here is that two core elements are suitable to overcome the deficiencies of the EU structural policy:

- First, the EU should accept that the objective of balancing regional disparities in the Union and in member states is too ambitious. EU cohesion policy should focus on national instead of regional prosperity. The state-centred type of cohesion policy should be expanded. Countries like Greece would be promoted in such a model, but more competitive states no longer. These countries would be favoured by reducing their financial contribution to the EU. Were the EU to terminate support to all member states and focus on less developed states, the EU budget could be reduced. A think tank in London came to the following conclusion: "Focusing the EU's structural funds on less wealthy member states and stopping the recycling exercise whereby richer member states subsidise each other's regional development policies would save just over euros 20 bn. (per year, the author)" (Open Europe, 2012). Another positive effect would be trimming the administration in Brussels.
- Second, there is an alternative to the current model of area-wide support for recipient countries. Instead of spreading structural policy projects across the whole country, an alternative would prefer growth clusters. The intention would be to foster these clusters so that processes of spillover could have a positive impact on other enterprises and regions. Preference should be given to competitiveness. The core idea is that member states can only benefit from the EU's internal market as long as they are competitive. Cohesion policy should focus on strengthening clusters which have the potential to disseminate productive impulses around the clusters. Equalizing regional disparities would no longer be a priority. EU structural policy could learn from the experience of Germany after reunification. Experts came to the conclusion that it was a mistake to prioritise the promotion of weaker regions in East Germany. Their promotion led to overstressing them. Projects have been carried out which did not have a positive impact on economic competitiveness and growth (Für eine Kurskorrektur des Aufbau Ost).

² For a more detailed analysis and description see Axt (2002) and Axt (2005).



What are the chances of such alternatives happening? We have to admit that the chances are limited as long as cohesion policy focuses on regional disparities, as foreseen in Art. 174 TFEU. An alternative approach does, however, have a chance when the Cohesion Fund is taken into account: It promotes member states as a whole and it concentrates on poorer member states. As the Cohesion Fund is currently active in the field of transport and communication, expanding it should be considered to include other fields of activity which have a more positive impact on economic growth and competitiveness. As we saw above, the Cohesion Fund's share of EU spending increased in the financial period from 2007 to 2013. That was the time when the Union had to manage the challenge of Eastern Enlargement. For the new period up to 2020 a reduction is envisaged. That does not, however, negate the fact that the room for manoeuvre to shape alternatives is bigger with respect to the Cohesion Fund.

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Structural funds and sustainable development in Greece

Panagiotis Liargovas and Nikolaos Apostolopoulos

1. Introduction


There is a close and interactive relationship between the economy and the environment regarding sustainable development. The availability of funding resources is a major issue each time, thus the role of Structural Funds from the EU in the sustainable development of member countries' progress is essential. The significant role described matters more in countries such as Greece where Structural Funds are almost the only funding tool due to the country's domestic economic weakness and its inability to allot sufficient resources on its own.

The importance of the contribution of Structural Funds to the economy of the country has some contradictions, therefore, conflicting views have been developed on both the input and the level of the contribution. This ambiguous situation regarding the impact of Structural Funds is emphasized in the research of Boldrin and Canova (2001) and Beugelsdijk and Eijffinger (2005). Other studies (e.g. De La Fuente, 2002) highlight the correlation between the impact of Structural Funds and the institutional framework in the beneficiary countries. Furthermore, Bahr (2008) sets as a parameter the degree of decentralization connecting the positive impact of Funds with the degree of decentralization, while the same finding about the effect of the decentralization parameter is also pointed out in Stegarescu's (2004) study. Liargovas and Apostolopoulos (2014a) indicate that an enhanced sub-national autonomy as a primary factor along with opportunities arising from structural funds can boost sustainability and Europe 2020 performance. The level and degree of impact on the domestic economy vary in studies depending on the data and methodological approaches applied in each case. However, in several surveys, Structural Funds contribute strongly to finding a direction towards economic progress (Funck and Pizzati, 2003; Cappelen et al, 2003)

Moreover, as Puigcerver-Peñalver (2004) states, by applying a 'hybrid structural' model the impact of Structural Funds becomes important economically, especially during the first funding period and for Objective 1 areas. Less important, though not negligible, are the findings of the second period. Lima and Cardenete (2008) observe a positive relation between Structural Funds and their impact on economic growth. As Marks (1993) pinpoints, Structural Funds are "the leading edge of a system of multilevel governance in which supranational, national, regional and local governments are enmeshed in territorially overarching policy networks" (1993: 401). Nonetheless, some sceptical views have been expressed about the impact of Structural Funds, such as those of Ederveen et al. (2006). In their research, Mohl and Hagen (2010) report that their findings show that there is a positive impact from structural funds on Objective 1, whereas the impact is negative on Objectives 2 and 3. Bradley et al (2003) believe that the long-term positive effect on growth is not uniquely attributable to Structural Funds. Overall, the studies and investigations on Structural Funds are conflicting about how much they contribute and which sectors of the economy benefit, without questioning the contribution of Structural Funds.

The approach of issues related to sustainable development and the impact of Structural Funds present a literature gap which, in the opinion of the author, is primarily attributable to three main factors: 1) the general difficulty in and complexity of approaching issues related to sustainable development, 2) research on Structural Funds has focused on overall effects, 3) and perhaps most importantly the launch of Europe 2020 (Commission of European Communities, 2008a), which has set goals for energy and environment in the area of sustainable development, this has been linked to the objectives of Structural Funds.

According to EU regulation No. 1303/2013 about the common rules and aims of structural and investment funds, Europe 2020 is at the epicentre of fulfilling the objectives of structural funds. The operation of the European Regional Development Fund is directed by regulation 1301/2013. Based on this regulation, the ERDF is committed to enhancing Europe 2020 with certain actions, such as promoting the transition to a low-carbon economy, raising the share of renewable energy, supporting sustainable transport, promoting the energy efficiency of enterprises and boosting the environmental quality during economic activity. EU regulation 1300/2013 on the Cohesion Fund set the investment and funding priorities for a low-carbon economy and climate-change adaptation while promoting resource



efficiency coordinated with Europe 2020. Even the European Social Fund, which embodies Europe 2020 in its social indicators in regulation 1304/2013, promotes sustainable development through education and training systems. These systems should embody the necessary adjustments in order to promote the upgrade of skills and qualifications needed to transform the economy.

In order to evaluate the impact of structural funds on Greece's sustainable development, the environment and energy were set as parameters, since they contribute significantly to sustainability and the national economy. Another major reason for using these parameters is that during the next period, 2014–2020, and the last two years of the last period, 2007–2013, the Europe 2020 strategic plan is embodied in the functions and objectives of structural funds. Europe's 2020 aim is to lead Europe to sustainable growth and take it permanently out of perhaps the worst phase Europe has encountered since its creation (World Economic Forum, 2012). Consequently, Europe 2020 sets its main priorities, targets and flagship initiatives (Commission of European Communities, 2008a) for sustainable growth. The environment and energy, which are one of the five objectives, have a central position in the strategic plan. Hence, the targets for greening the economy and production, known as '20/20/20', concern a 20% increase in renewable energy production, a 20% reduction in carbon emissions and an increase in energy efficiency of 20%, which should be achieved. In addition, "Resource-efficient Europe" is one of seven flagship initiatives.

Thus, this study focuses on the 20/20/20 indices and 'resource-efficient Europe' indices in order to monitor and analyze the impact of structural funds on Greece's sustainability. As Ekins et al. (2008) mention, one approach to evaluate sustainable development is to select a group of indicators related to the subject under investigation.

Additionally, the European Commission (1999) mentions that indicators that adjudge structural funds should be of relevance to the context and aims of structural funds.

From the above analysis, three key questions arise concerning the matter under consideration. How do structural funds aim to boost sustainable development? How much progress did Greece make in sustainable development during the last decade? What can be achieved through policy reformation? Consequently, this work is structured in such a way as to answer these three questions in six sections, including the current introductory one. The second section includes a brief historical overview of the relationship between sustainable development and structural funds in Greece. The third section describes energy priorities and the fourth one environment priorities. In the fifth section, the main problems and obstacles are described. Finally, the last section summarizes the findings and develops policy proposals.

2. Historical review of Structural Funds priorities in sustainable development

The basic financial leverage for projects and actions affecting the environment, energy, competitiveness and entrepreneurship in Greece was the funding from European Structural Funds.


- In the period 1989–1993, financial resources were mostly directed to environmental studies and the procurement of equipment of environmental parameters related to air pollution and water resources.
- In the period 1994–1999, the actions of the previous period were continued and more were added in the field of wastewater treatment and the management of urban waste and rehabilitation interventions, as well as environmental and urban planning. Finally, private investment in energy, industry and agriculture were boosted in order to ameliorate the energy and environmental performance of business and support environmentally-friendly farming.
- In the period 2000–2006, much of the funding was directed to support the management of municipal wastewater and solid waste, as well as urban-environment regeneration and protection of the natural environment. Energy and environmental business actions were supported in order to improve the business environment, support and encourage entrepreneurship, and promote operational excellence, technological innovation and research. Economic activity, regional development and employment

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303>.

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303>.

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1300>.

⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1304>.



were also reinforced. In addition, there were activities to secure energy supplies so as to become independent of imported primary energy through the diversification of energy-supply sources. Finally, resources were allocated to educate and train students and unemployed workers on environmental issues.

- In the period 2007–2013, the main strategic objective was the protection, enhancement and sustainable management of the environment in order to support the competitiveness of the economy, the quality of life of Greek citizens and public health. Actions were financed according to convergence with the environmental 'acquis' of Europe. Substantial resources were used to curb the growth of greenhouse gas emissions, double the contribution of renewable energy to reduce the use of coal in electricity production and substitution by natural gas, eliminate the uncontrolled disposal of solid waste, restore uncontrolled dumping sites, create a recovery unit, Urban Waste, draw up a National Programme for Production and Waste Prevention and a National Waste Management Plan to improve the energy efficiency of transport, and finally enhance the tourism product using cultural environmental benefits.

In the Operational Programme 'Competitiveness and Entrepreneurship', four priorities were set:

- i. Improve the business environment
- ii. Strengthen entrepreneurship and extroversion
- iii. Promote innovation and
- iv. Complete the energy system of Greece and promote sustainability

According to the aforementioned operational programme, private SMEs were reinforced to develop energy measures, incorporate an environmentally-friendly technologies environment, environmental-management certification systems and product-certification systems.


The period 2014–2020 aims to prioritize completion of the Trans-European Transport Network, enhance regional mobility, reduce the adverse effects of climate change, reduce emissions and implement the Community's 'acquis' for protection of the environment. Moreover, it focuses on prevention and risk management, energy saving, developing clean urban transport, waste management, increased recycling and enhanced resource productivity.

3. Energy priorities

In order for Greece to actualize its economic development, utilizing the resources of the European Structural Funds, actions have been undertaken to adapt the Greek legislation to Directive 96/92, achieve a smooth transition towards a free energy market, promote competition and establish a framework for a free market in natural gas.

In the period 2000–2006, the third funding period included two axes for energy-policy issues: 'Security of the Energy Supply and Promotion of the Energy Market' and "Energy and Sustainable Development".

- a) The first aforementioned priority axis aimed to supply the country with energy, contribute to the security of the EU's energy supply and promote energy-market liberalization. These objectives were to be achieved through access to gas-supply resources, the strengthening of specific concrete actions for the island regions of Greece, the penetration of renewable energy sources through cogeneration, energy release in the country and energy-saving policies. This specific priority axis included such measures as: "Access to alternative gas supply sources and promotion of natural gas penetration", "greater flexibility, stability and reliability of the gas system", "special energy infrastructure for the islands and renewable energy promotion", an "energy liberalization mode" and "renewable energy systems promotion, cogeneration in the energy system of the country [to make] energy savings".
- b) The second priority aimed to support the production, distribution and sustainable use of the energy resources of the country in compliance with the country's commitment to reducing greenhouse-gas emissions and the rational use of water resources. By implementing the above objectives, it was sought to create a natural-gas distribution network, this to be created in Attica, Thessaloniki and Thessaly, supply natural gas for industrial consumption, reduce the number of on-road fuel tankers in Attica, promote the penetration of natural gas in the transport sector, reduce the pollution in Athens and rationally manage raw-energy materials and mineral wealth. The specified axis included measures for: the "penetration of natural gas in the residential and tertiary sector, industrial production and the transport sector", a "secure infrastructure for petroleum handling" and the "exploitation of natural resources and support for meeting environmental commitments".



In July 2000, Greece set up a regulatory authority for energy (RAE). The objective of RAE is to control the energy market in all areas and continuously update the EU on the progress of electricity-market liberalization (RAE, 2005). As a result, in the third funding period and especially in the period 2005–2008, RAE received funding for its infrastructure and operation. Furthermore, it received funding to support long-term energy planning for gas and electricity, and finally to encourage investment in the energy sector.

With resources from European Structural Funds, entrepreneurship in the energy sector and especially in the renewable energy sector was supported to promote sustainability during the period 2002–2006. More particularly, investments projects that were supported are as follows (Ministry of Development, 2002):

- Photovoltaic parks
- Small hydroelectric power projects up to 10 MW in watercourses
- Biomass utilization
- Wind systems for the production of electricity (wind turbines)
- Geothermal applications
- Saving energy for companies already in operation
- Substitution of electricity with natural gas or LPG in existing enterprises

Private-sector initiatives had the right to participate in the above initiatives and the level of their own economic participation was at least 30 per cent of the budget. In these projects, legal entities had a participation right under private law and the level of their participation in the investment project amounted to at least 30 per cent of the budget.

In the operational programme for 2007–2013, the importance of enabling Greece to secure its energy supply by steadily reducing its dependence on oil by developing renewable energy was emphasized. Within this framework, many actions were undertaken in order to achieve energy-market liberalization, resource productivity, the proper management of natural resources, energy security and Greece's adaptation to European Directive 2009/28/EC on energy and climate change. (Operational Programme Competitiveness and Entrepreneurship 2007–2013, 2013).

The interventions in the aforementioned fields aimed to achieve the following:

- To promote the use of natural gas in residential and tertiary sector development.
- To modernize the country's electrical grid with the interconnection of the islands to the main power and renewable energy sources on the mainland.
- To promote renewable energy penetration and save energy through interventions in public buildings and to support citizens, businesses and government's awareness.
- To support actions related to the hydrocarbons sector

The beneficiaries of the priority axis 'Completion of the energy system of the country and sustainability enhancement' were businesses of all sizes and legal forms as well as households in areas where the gas network was expanded. In addition, businesses that invested more in saving energy and improving energy performance in the municipalities benefited (Ministry of Economy and Finance, 2007).

Among the works constructed with support from structural funds are the following: the gas-compression station in New Mesimvria Thessaloniki, the pipeline for high-pressure natural gas in Agioi Theodori-Megalopolis and Aliveri, expansion of the natural-gas distribution network in Inofita Halkida, modernization of the electricity grids, the realization of investment in 74 renewable-energy projects, the realization of programmes such as 'saving at home' and 'saving in local authorities', the implementation of 32 energy-saving projects in schools and hospitals, the implementation of seven projects in bioclimatic schools (Ministry of the Environment, Energy and Climate Change, 2013).

These projects along with others in the energy sector have managed to reduce energy consumption and achieve a 15 per cent reduction in the projected levels for 2020 (Ministry of Development, Competitiveness, Infrastructure, Transport and Networks, 2012).

4. Environment priorities

This chapter will examine the contributions made by resources from the European Structural Funds in the fields of:

- Solid-waste management
- Atmospheric environment (air pollution / climate change)

Solid-waste management

The management of solid waste is a difficult and complex process, thus large sums from the Structural Funds have been spent to address it. In 2006, Greece produced 4.6 million tons of municipal solid waste originating mainly from households and commercial activities, and it is expected that Greece will produce 5.2 million tons in 2006 (Technical Chamber of Greece, 2006). Of the above amount of solid waste in landfill, 4.56 million tons were driven to uncontrolled dump sites, 300,000 tons of waste, approximately 140,000 tons were composted while 870,000 tons were recycled (Ministry of the Environment, Energy and Climate Change, 2013). In 2012, of the 325 municipalities in the country, 240 had set up a recycling system. This led to performance in recycling being somewhat improved (Ministry of the Environment, Energy and Climate Change, 2013).

Community policy on solid-waste management has always been based on waste prevention and its integrated management by developing recycling and reuse as well as improving the conditions of disposal. Structural funds were also used in the implementation of these policies.

Greece's policy on the issue of solid waste moves along the axes for the prevention of waste achievement and the objectives that the EU has set for recycling, the completion of waste facilities and financing innovative environmental technologies.


In the operational programme 2000–2006 "Environment", there was a "Solid Waste" axis including actions for the remediation of uncontrolled dump sites, a coastal clean-up, the construction of landfill sites on small populated islands, updating and parallel awareness of social organizations and local government (Ministry for the Environment, Physical Planning and Public Works, 2007). The total budget of the 'Environment' programme, after its revision on 7 December 2006, amounted to € 522,649,462. Of that, community participation was 76.2% and the state share was 23.8%. For the priority axis 'Solid Waste', the budget was € 18,433,013, of which the Community contribution was € 13,382,823 (72.6%); for the measure for 'non-hazardous solid waste management' Community involvement was € 7,854,263 (71.6%); and for the measure for the 'management of hazardous waste', Community involvement was € 5,528,560 (74%) (Ministry for the Environment, Physical Planning and Public Works, 2007).

In the Operational Programme for Environment and Sustainable Development for 2007–2013, there was a priority axis for the protection of soil systems and solid-waste management with an overall objective to protect the public health, groundwater aquifers and the quality of soil resources from uncontrolled waste disposal. The above priority axis also had, among others, the following specific objectives: to complete projects which were financed by Structural Funds in the period 2000–2006, give the country its necessary waste-management infrastructure, implement the regional planning of the country for the management of solid waste and to support recycling (Ministry for the Environment, Physical Planning and Public Works, 2007).

As a result, in this area, 305 projects were financed by Structural Funds under the heading "Management of household and industrial waste" and a budget of € 594,319,600. Most of them, 183 in total, were related to the remediation of uncontrolled dump sites, material supplies at transfer stations, balers and many more (Ministry of the Environment, Energy and Climate Change, 2013).

Atmospheric Environment (air pollution – climate change)

Structural Funds have paid particular attention to the problem of air pollution in Greece. The first mapping of air pollution on Greek territory was accomplished with financial resources from Structural Funds during the programming period 2000–2006.



With resources from the Structural Funds for the period 1994–1999 and within the framework of the Operational Programme 'Environment', Greece upgraded the few existing air-pollution monitoring stations and founded new ones in major cities across the country. In 2001, the National Air Pollution Monitoring Network was established with the intention to continuously access to data (Ministry of the Environment, Energy and Climate Change, 2010).

The research study "Assessment mapping of atmospheric pollution in Greece" was also funded through structural funds (Special Management Service for the Information Society, 2006). The purpose of that particular study was to assess air quality based on data gathered by the National Air Pollution Monitoring Network. The major cities and industrial areas showed high levels of air pollution.

The operational programme "Environment", in the period 2000–2006, included a priority axis entitled "Atmospheric Environment" concerning measures for "Air pollution" and "noise reduction" and with a budget of € 15,301,177, to which the Community contribution was € 11,754,824 (76.8%). The measure for the "Reduction of air pollution" had a budget of € 12,545,267, with a Community contribution of € 9,677,419 (77.1%), and the measure for "noise reduction" had a budget of € 2,755,910, with a Community contribution of € 2,077,405 (75.4%) (Ministry for the Environment, Physical Planning and Public Works, 2007). The planned actions concerned the adaptation of Greece to European directives, controls on air pollution, soundproofing protection and Greece's adaptation to international conventions relating to air pollution and climate change. Furthermore, resources from structural European funds were received to develop action plans that would address air pollution (Ministry of Environment, Physical Planning and Public Works, 2007).

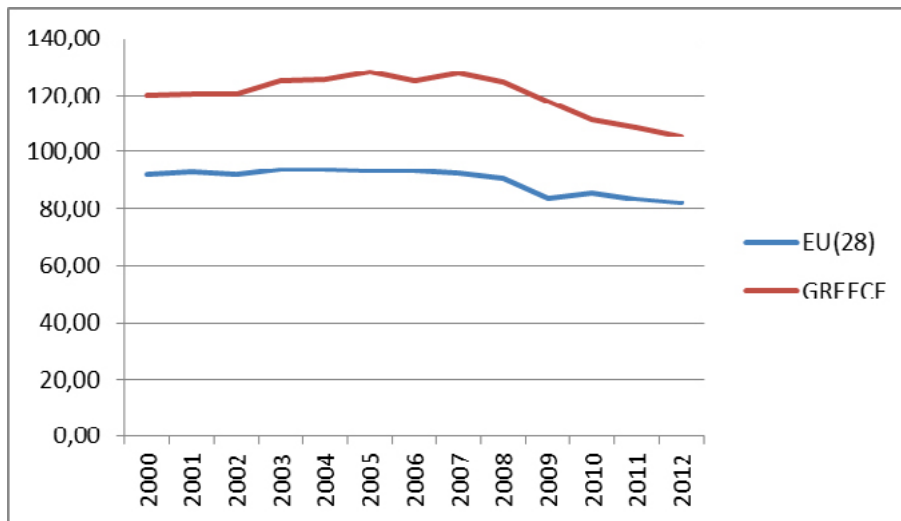
The operational programme of 2007–2013 for protection of the atmospheric environment and climate change was financed by the Cohesion Fund and the European Regional Development Fund, with the aim to reduce the greenhouse-gas emissions that contribute to global warming and protection of the ozone layer. Until 31 December 2014, the total expenditure of the operational programme on the environment in the field of "Atmospheric environment protection – Tackling Climate Change – Renewable Energy" was € 475,560,000 and the absorption rate was 94.07 per cent in Priority Axis 1. For the sixth priority axis, "Atmospheric environment protection – Tackling Climate Change", the total expenditure was € 48,489 and the absorption rate was 93.44 per cent.

5. Progress towards sustainable development

In order to evaluate and analyze Greece's progress in sustainable development, we used the indicators of Europe 2020 which are directly related to sustainable development, as Europe 2020 is associated with the Structural Funds for the next funding period. The analysis focuses on the 20/20/20 targets of Europe 2020 and the indicators are included in the flagship initiative 'resource efficiency'.

Carbon emissions: Greece differs significantly from the EU average on greenhouse-gas emissions and these are growing much more rapidly compared to that. Emissions of carbon dioxide were 120.21 (base year 1990) in 2000, 125.55 in 2004, 124.61 in 2008 and 105.71 in 2012, while the corresponding European performances were 91.96, 93.80, 90.41 and 82.14, respectively (Table 1). Greece's performance via a low-carbon economy fell considerably. In the period 2000–2009, it enjoyed high growth rates, but these were not accompanied by similar environmental performance. In 2009, it started to reach a turning point in emissions, mainly due to the economic crisis, the decline in industrial production and the shrinkage of movements. At the most basic measure of sustainable development and in conjunction with the amounts paid from Structural Funds in Greece, there are no recorded positive effects of financial support in this area.

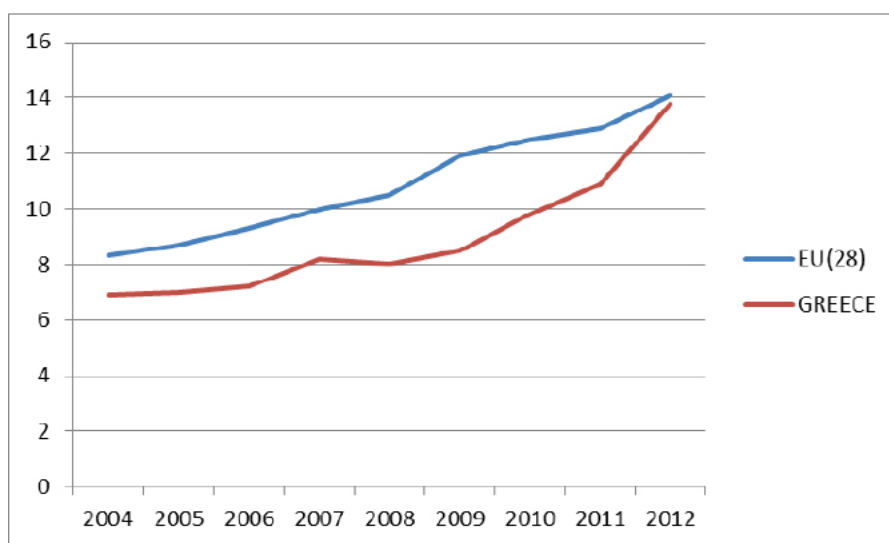
Table 1: Greenhouse-gas emissions, base year 1990



Source: Eurostat

Share of renewable energy: Regarding the contribution of renewable sources to the energy mix of Greece, a significant improvement and increase in the rate are presented. The share of renewable energy increased significantly from 6.9% in 2004 to 13.8 in 2012, while the European Union's share in 2004 was 8.3 and in 2012 it was 14.1 (Table 2). Greece showed an upward trend for this target of Europe 2020 which approached the European average. In the 2000–2006 programming period, incentives were given through the Structural Funds, as mentioned in the previous section, resulting in significant investment in renewable energy sources. Greece took advantage of certain Structural Fund initiatives in an effort to improve the energy mix and tried to become independent of coal as a raw material, while green business was significantly promoted in the energy sector. It could however display even better performance, since it has great potential, due to its natural resources, not only to achieve improvements but a comparative advantage over other European countries (Liargovas and Apostolopoulos, 2014b).

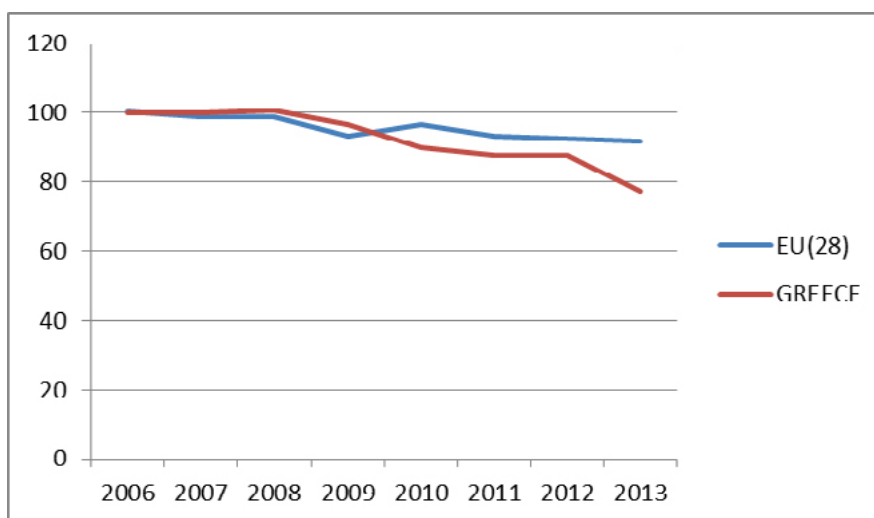
Table 2: Share of renewable energy in gross final-energy consumption (%)



Source: Eurostat

Primary-energy consumption: Greece's progress in primary-energy consumption (base year 2005) moved marginally above the European average in the period 2006–2009, while from 2009 onwards (Table 3) it has exhibited a downward trend. The year 2009 is a turning point due to the decrease in consumption as a result of the economic crisis and a reduction in productivity. Various measures and initiatives, even through European funds, appear to have had no direct effect on the rational use of energy resources or the use of energy-efficient technologies. The above finding concerns both Greece and the European Union. Besides, as mentioned by the Committee of the European Commission, the target of 20 per cent savings in this area is very hard to achieve.

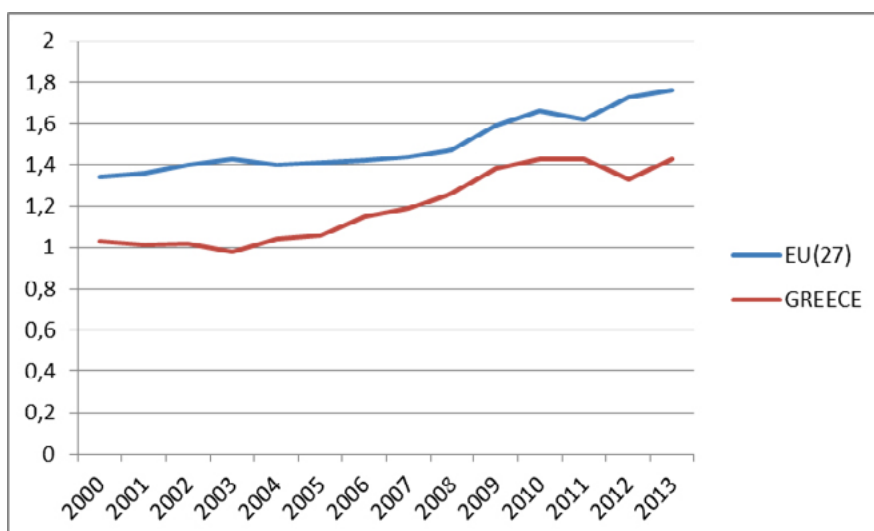
Table 3: Primary energy consumption, base year 2005



Source: Eurostat

Resource productivity: Regarding the resource productivity, Greece shows some deviation from the European average (Table 4), although its performance appears relatively high compared to other European countries (in euro per kilogram in linked chained volumes, 2005). Resource productivity is calculated by dividing the GDP by domestic material consumption (DMC). In the period 2000–2008, an increase was noted in the DMC at both European and Greek levels. Beyond that point, DMC appears to drop; in Greece it is around 35%, accompanied by a contraction in GDP which appears in the numerator of the fraction. Undeniably, the fall in consumption contributed to the relatively good performance of resource productivity. Given the increase in incomes and GDP per capita which derived to a certain extent from the Structural Funds, particularly in the period of 2000-2009 although Greece moved to below the European average, its performance was ranked in the top-ten European countries.

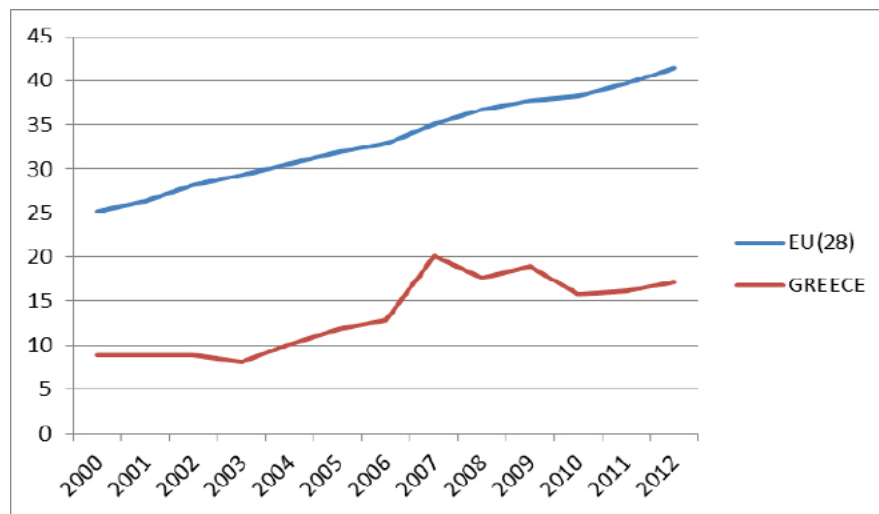
Table 4: Resource productivity (in euro per kilogram in linked chained volumes, 2005)



Source: Eurostat

Recycling: In the field of recycling, Greece lags far behind the EU average as the recycling rate in Greece in 2000 was 8.8% and in 2012 it was 17.2, while the European performance was at 25.2 and 41.5, respectively (Table 5). The fact that Greece increased its recycling rate from 8.8 in 2000 to 20.1 in 2007 is of particular interest. It is apparent that this exhibits a significant positive change, since the country began to comply with European standards and exploited the European funds for waste management. However, in the period 2007–2012, the upward trend stopped, even though the environment continues to be strongly supported by European funds. From 2008 onwards, it displayed a downward tendency, and finally, in 2012, it dropped to 17.2. Thus, the efforts towards an economy that efficiently exploits all the available resources and manages its waste as useful materials is not being achieved, while the European Union continues its upward course. The transition to a sustainable economy, as expressed through the recycling ratio, connotes delays and failures.

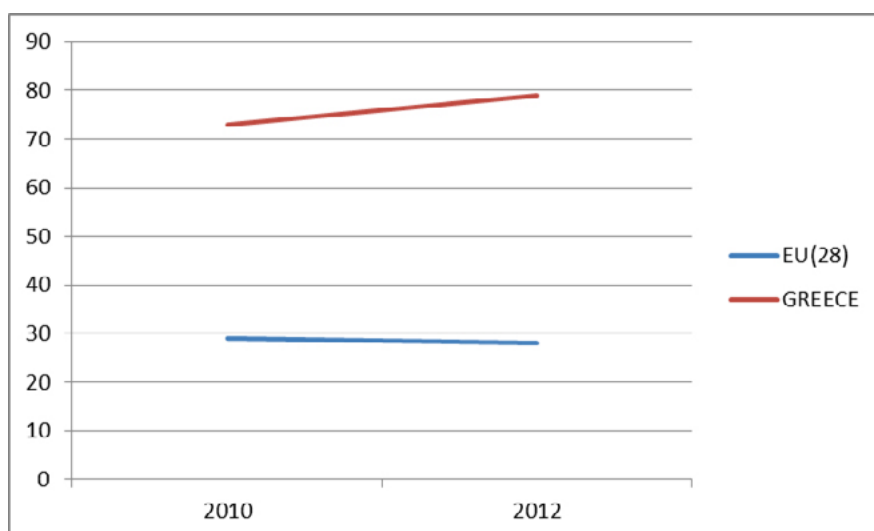
Table 5: Recycling rates for municipal waste



Source: Eurostat

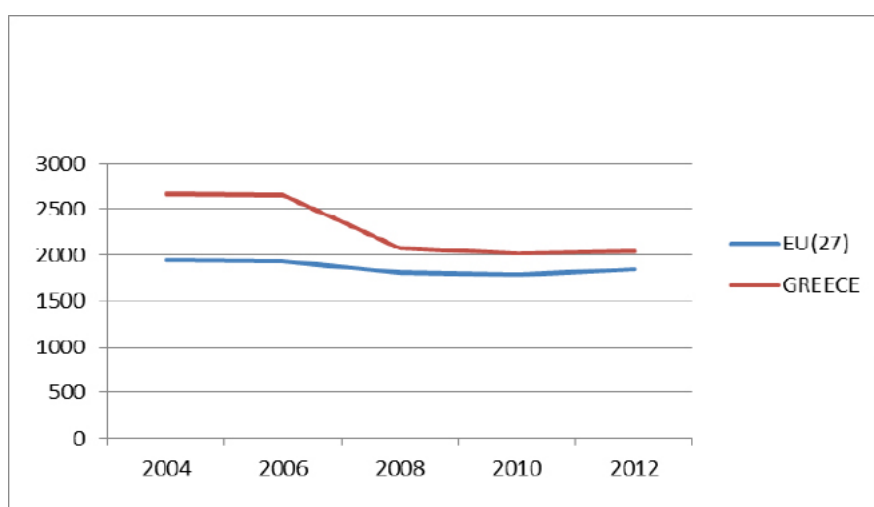
Landfill: In addition to the recycling index, the landfill index denotes a transition towards sustainable development, priorities, strategies and effectiveness. Greece, as will be discussed below, and the problems of waste management have failed or even squandered European funds, without being able to manage the waste produced effectively. Waste management is a key financial objective of Structural Funds, yet Greece displayed a landfill rate of 73% in 2010, which increased to 79% in 2012, while the corresponding European rates were at 28 and 29%, respectively (Table 6). Additionally, Greece produces significantly more waste per capita compared to other European countries (Table 7). Also, in 2013, there were still 78 active uncontrolled dump sites and another 318 uncontrolled dump sites which needed environmental restoration. This performance in an area of utmost significance for most European countries is a serious failure to develop strategies and utilize European funds effectively.

Table 6: Landfill rate for waste, excluding major mineral waste



Source: Eurostat


Table 7: Generation of waste, excluding major mineral waste (kg per capita)



Source: Eurostat

6. Problems and obstacles

The issue of misused money (fraudulent and non-fraudulent irregularities) from the Structural Funds has occupied the European Anti-Fraud Office (OLAF) targeting both the EU (European Commission, 2013) and Greece (Ministry of Regional Development and Competitiveness, 2014). The continuous increase in fraud in 2013 led the EU to request the establishment of a European public prosecutor to deal with the phenomenon (European Commission, 2013). Fraud affecting the Structural Funds in Greece usually entailed virtual service providers, product substitution, fraudulent reimbursement, work-cost swelling, large consultancy fees, distortion. In 2013, 15,779 competitions were reported as being fraudulent, and non-fraudulent irregularity cases reported to OLAF concerning EU countries involved the amount of € 2.14 bn. Indeed, in the period 2009–2013, the cases reported to OLAF increased by 22% and the reported amounts increased by 48%. Of the 15,779 cases reported in 2013, 1,609 cases were declared fraudulent and concerned € 309 million. Greece is among the States that have been identified as having



large numbers of fraudulent cases (European Commission, 2014). The rate of successful prosecutions related to fraud against European funds has an average of 42.3% in the EU. This rate in Greece is 19.2%, which means that successful prosecutions in Greece are small in number due to insufficient controls and the many gaps in the legal framework of the country that contribute to impunity.

A major obstacle to the effective use of Structural Funds from Europe is the delayed dispensing of justice in Greece. According to the Ministry of Justice, in 2012, 27,975 cases were pending with the Council of State, with an average of five years for litigation. This means that in order to get a case to the State Council and for it to become final, other levels of justice must have preceded it and there will be a delay of at least another five years if an adjournment occurs, which is a frequent phenomenon in the Greek legal system. It is interesting to note that Greece has been condemned by the European Court of Justice for delaying one case for 27 years, and all this at a time when the prompt and effective administration of justice is a key factor for investment in all economic sectors, including those directly related to sustainable development. The Commissioner of the EU for Economic and Monetary Affairs⁵ notes that effective justice can be instrumental to development. Particularly in relation to issues of solid-waste management, there are many investment hindrances in Greece because citizens, agencies and constructors litigate very often. One of the many instances could be the landfill in Western Aigialeia, in Papanikolaou in the former municipality of Confederacy. The landfill was situated and environmental terms approved in 2003. A year later, the project was financed by the Cohesion Fund. Litigation and social reactions blocked the project. The financial plan of the Cohesion Fund 2000–2006 had eligible costs up until 31 December 2011. On this date, the task had not materialized and, pending litigation, this resulted in the exclusion of the project.

Values, and more particularly temporary values, of expropriated properties which are judged by Greek courts are often multiples of objective values. This fact inhibits the financial aspect of projects funded by European Structural Funds, because above a certain percentage, i.e. 10 per cent of the eligible expenditure, the charge for expropriations comes from national resources, which in most cases do not exist. An example is the landfill in Western Aigialeia, where the First Instance Court of Aigaiou gave temporary prices for expropriated properties that were multiples of objective values and against the proposals of the Public Real Estate Service. This decision, which was unexpected, increased the cost above 10 per cent. Hence the regional authorities were forced to appeal the decision and although the prices were lowered they were still above 10 per cent of the eligible expenditure. Eventually, the aforementioned case, which is not the only one, saw an increase in the project budget of € 820,000 which came from national resources.


Social reactions, regardless of the source of funding, have always been an issue in Greece, in most cases regarding wind-farm, biogas and landfill installations, such as the installation and operation of wind farms on Mount Pantokrator, Corfu, in the Spina and Plakakia areas in Crete, Mount Kochylo in Skyros, the establishment and operation of biogas in Mantinea and the landfill sites in Grammatikou Attica, Oihalia Messinia and Skopou Zakynthos. A characteristic case is the construction of a landfill site in Lefkimmi in Corfu, where the project was completed but did not operate due to social reactions and protests. The project was co-financed by the Cohesion Fund for the period 2000–2006 with a total budget of € 3 m. Complaints from residents to the State Council were rejected in their entirety. The landfill was built but today is not in operation due to residents' protests, and as a European Parliament (2014) document mentions, there is no political will for it to work.

Finally, the continuous administrative changes that occurred in Greece within the last years, such as 'Kapodistriasis plan' and 'Kallikratis plan' created constant alterations in the plans of the projects which were implemented through European Structural Funds. A typical example is the waste management planning where jurisdictions among national, regional and local authorities are not clearcut and properly distributed. Thus, waste management is characterized by failures.

7. Conclusion and policy remarks

Greece made controversial progress towards the indicators for 2020 in the last decade, in spite of the fact that Europe 2020 was launched in 2010. Nevertheless, the question that arises is whether Greece can use structural funds further so that the effects can be maximized. The answer is definitely no.

⁵http://europa.eu/rapid/press-release_IP-13-285_en.htm?locale=en.



Although many indicators show progress, these are still well below the European average. Apart from the target for "Share of Renewable Energy", for all other targets (carbon emissions, energy savings) the progress is affected not only by the initiatives and investments from Structural Funds, but also by the slowdown in the Greek economy from 2009 onwards due to the economic crisis. In anything regarding solid-waste management, which is indirectly associated with resource productivity, Greece exhibits tremendous delays and failures. Note that, in 2005, Greece was condemned by the European Court of Justice for not complying with EU legislation in relation to the uncontrolled disposal of solid waste. Since then, although many years have elapsed and many funds have been allocated from Structural Funds, this problem has not been solved and the country has not complied with the court order. Thus, on 20 February 2013, the Commission took Greece to the European Court again. Faced with this situation, from 2013 onwards, Greece claims that only 73 uncontrolled dump sites of waste are in operation and that these are constantly decreasing while all the others are in a process of recovery, assisted by European Structural Funds.

Greece presents a serious inability to resolve these issues, despite the fines imposed by the European Courts and the money received from European funds which have been allocated for this purpose. Furthermore, in the indicators for recycling, these show stagnation from 2006 onwards.

This paper is in accordance with de la Fuente (2002), in that the institutional and regulatory framework significantly affects the overall impact of Structural Funds, focusing on three main issues:

- 1) The lack of a comprehensive strategy for sustainable development which has resulted in major projects having no continuity and a lack of support after the end of their funding.
- 2) The delegation of responsibilities among decision-making bodies is not clear, so that sustainable development and the initiatives that accompany lack dynamism.
- 3) Greece has not had a clear strategy concerning sub-national autonomy and decentralization, so the impact of Structural Funds appears to lack direct social effects.


Based on the substantive proposal above, reforming the institutional framework in the direction of decentralization and the empowerment of sub-national authorities could give an impetus to sustainable development through Structural Funds. Besides, the modern bibliography in terms of sustainable development requires a bottom-up approach (e.g. Nijkamp, 2011; OECD, 2012; Quaas et al., 2007; Salvati and Zitti, 2008) and regional governments have an essential role to play in planning and decision-making (Galarraga et al., 2011). The above adds up and can be combined with the standpoints of Stegarescu (2004) and Bahr (2008), i.e. that decentralization could have a positive impact on the effects of Structural Funds. Decentralization will create increased citizen participation in issues of sustainable development. This citizens' pressure could lead to stronger cooperation (Klinke, 2011), and as a result Bohme's fears (2011) for stakeholders' cooperation in Europe 2020 may be mitigated. Finally, the most important issues relating to sustainable development, such as climate change and energy efficiency, have a local or regional character in the Region 2020 report (Commission of the European Communities, 2008b).

Therefore, boosting decentralization and increased responsibilities for regional or even local authorities' peripheral government will lead to positive effects from structural funds in the direction of sustainable development.



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Greece and EU structural funds: what do the choices made by Greece regarding the allocation of structural funds over the past three decades imply for the developmental model of the country?

*Alexandros Karvounis and Nikos Zaharis**

1. Introduction

Greece has been a net recipient of EU structural funds for the past 28 years, starting with the Integrated Mediterranean Programmes (1986–1989) and progressing through four programming periods (1st Community Support Framework – CSF 1989–1993, 2nd CSF 1994–1999, 3rd CSF 2000–2006, 1st National Strategic Reference Framework –NSRF 2007–2013). The country is now engaged in intensive preparations for the design and implementation of its strategy for the 6th consecutive programme: the 2nd NSRF 2014–2020.

The contribution of EU structural funds to the performance of the Greek economy was always significant in terms of GDP, employment, productivity, investment and the trade balance. Today, EU structural funding is more critical than ever for Greece. The economic crisis and the negative business climate have limited the access of both the State and the private sector to international capital markets. The European Structural and Investment Funds (ESIF) are tools for boosting economic growth without imposing any extra fiscal burden (Sampaniotis, 2011).

However, a quick look at the record shows that Greece has been allocated over € 64 bn in structural funds over the last two decades. Per capita, this is amongst the highest in the EU, yet the country faces serious competitiveness problems (Personn, 2013). There are many reasons why the impact of cohesion policy is lower in Greece than expected. Most of them relate to the absence of an integrated domestic regional-development planning policy (Psicharis, 2004), this having been replaced by the cohesion policy and community programmes.

This paper focuses on the planning process of the programmes and examines the macro-level choices made by consecutive Greek governments throughout this period, focusing on investment in three major areas: public infrastructure (with special reference to transportation infrastructure); education and human resources, research and innovation; and support for private investment in the secondary and tertiary sectors. It attempts to map the investment priorities in these three areas, analysing their implications for the country's development pattern and providing insights into and explanations for the design rationale.

Investment patterns are compared with the EU average and reveal a common trend between the cohesion countries in terms of directing sources into infrastructure. Misdirected EU aid has serious implications for the developmental model of the country. The reforms of the new programming period offer Greece an opportunity to take advantage of the thematic concentration and planning restrictions and maximize the potential contribution towards Greece's attainment of the EUROPE 2020 goals.

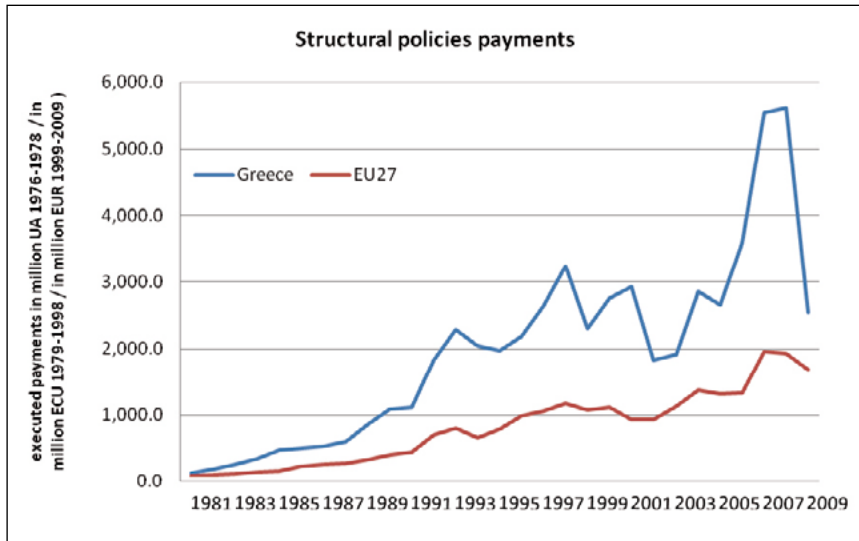
2. Structural fund programmes and their results

Greece has been a main beneficiary of the cohesion policy since the very first year of the country's accession to the European Union (Figures 1 and 2). However, after four programming periods of funding, the actual impact of the community support programmes on the Greek economy and regional development is questionable (Economou, 1997; Georgiou, 1994; Tsoukalis, 1998: 304). Regional disparities persist and the convergence process seems to have halted (EC, 2014). The economic crisis made the situation even worse and there is a strong critique of the choices made by the Greek administration with regard to investment allocation and policy mix through these periods.

Before investigating these allocation patterns, it is necessary to describe briefly the four EU structural-fund programming periods for Greece so far.

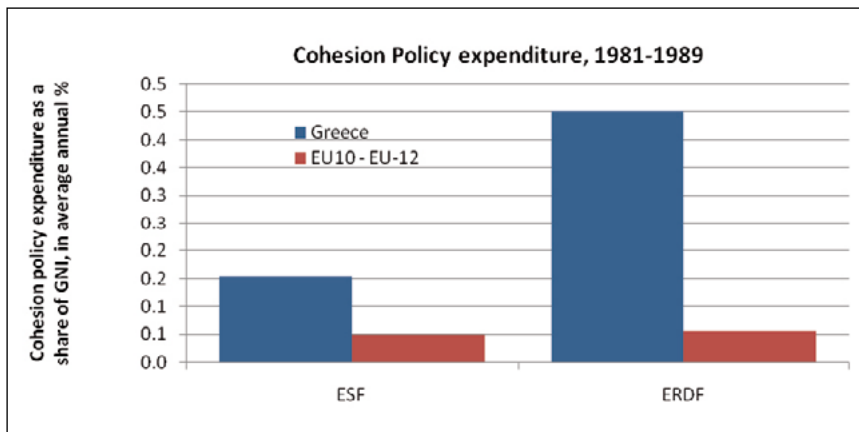
* The information and views set out in this publication are those of the author and do not reflect the official opinion of the European Commission.

Figure 1



Source: DG REGIO, 2014

Figure 2



Source: BUDG, AMECO, DG REGIO calculations

1989-1993: First Community-support Framework

The developmental strategy applied in Greece from 1989 to 1993 (1st CSF) was characterized by two main facts:

- The wide dispersion of the available funds to small infrastructure projects all over the country (roads, ports, hospitals, schools, irrigation works, water supply and drainage systems, waste-water treatment plants, crop restructuring and improvements in training structures) paints a general picture of the interventions made. Absent from this strategy was the promotion of major infrastructure projects, a prerequisite for attracting foreign investment, along with a focus on productivity, quality and sustainable development (G.S.I.D., 2005).
- The aforementioned period coincided with a significant milestone in the development policy of the European Community: the radical reform of structural funds (1988) made coordination possible among Community structural policies, which had remained autonomous up to that point. The new regulations required joint responsibility between national and regional authorities of member states and the European Community in the programming and implementation stages of co-funded

development actions (G.S.I.D., 2005). However, the recently established¹ regional authority structures did not have the capacity to manage the funds (Psicharis, 2004).

The “improvement of general infrastructure” was met in almost all the operating programmes (OPs) as a top priority, as in the case of “support for agriculture and rural development”. “Improvement of human resources” is not a priority, as in the case of “technological development” (met in only in four programmes) (Plaskovitis 2006). Two main problems arose from this strategy. The first is that it has been argued that investment in physical capital does not contribute more than that in human capital (Tondl, 2001). Moreover, without an integrated regional-development framework, the fragmentation of available funds into small infrastructure projects for local communities may have facilitated more rapid absorption of funds, but in the end it did not increase accessibility. Secondly, human-resources investment was translated unto useless seminars with extremely limited effectiveness (Psicharis, 2004).

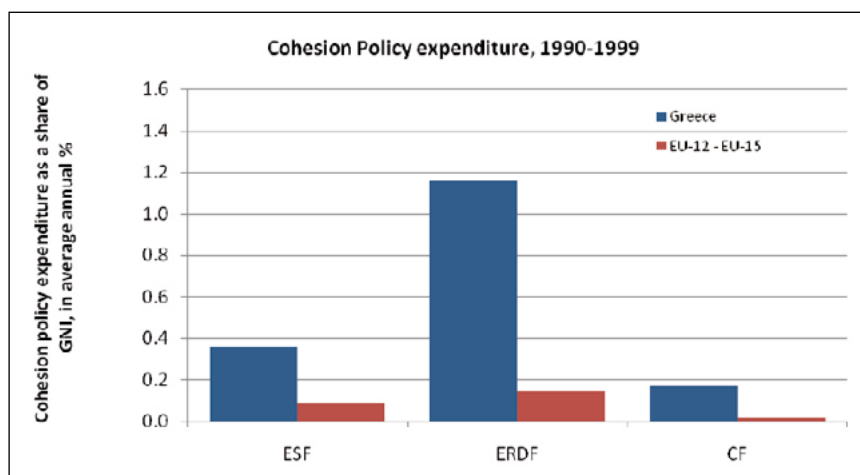
In conclusion, there was a strong emphasis on infrastructure but no strategy for productive restructuring to support an economy with significant problems. There was a huge deficit in institutional capacity and governance structures.

1994–1999: Second Community-support Framework

During the programming period from 1994 to 1999, more emphasis was put on major infrastructure projects of a national character and on connecting Greece to other countries (28% of the total allocation). Without abandoning the pursuit of balanced development, priority was given to the promotion of economic development and improvements in competitiveness, and to upgrading the environment and the establishment of better living conditions in urban areas. The main characteristics of the period are: the country’s preparation efforts to participate in the economic and monetary union and the commencement of major infrastructure projects of national importance, such as highways (PATHE, Egnatia Odos), port improvements, modernization of the Hellenic Railway Network, the Athens metro, energy projects (wind farms, natural gas), telecommunications infrastructure, hospitals etc. (G.S.I.D., 2005).

“General infrastructure to improve the quality of life” is again one of the top priorities in all Greek regions. The weakness in implementing big infrastructure projects and absorbing the amount allocated led to a shift in funds from 28% to 22%. Compared to the previous period, there was far greater emphasis on the promotion of research and technological development, with environmental issues amongst the top priorities. Finally, the “improvement of human resources” is found as a separate priority in all operating programmes. However, it can be translated as an obligation to follow the EU rules imposed by the European Social Fund, rather than a genuine policy intervention (Plaskovitis, 2006: 5).

Figure 3



Source: BUDG, AMECO, REGIO calculations

* from 1995 onwards

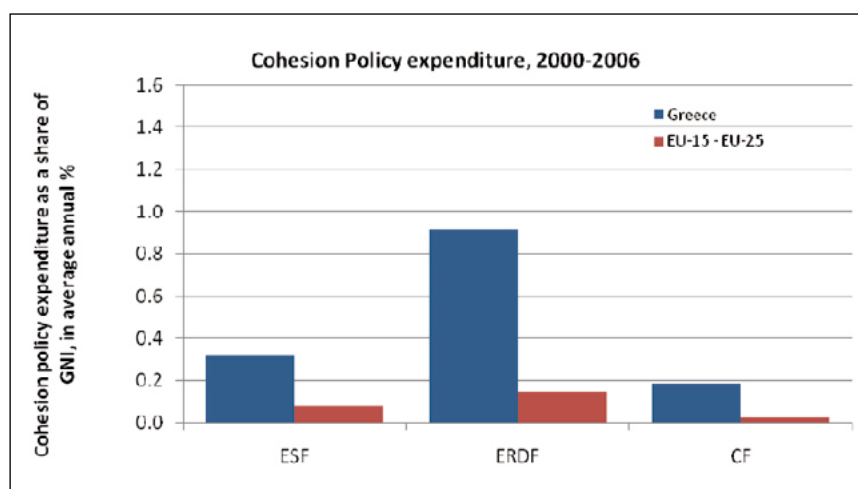
¹The regional authorities were established very recently: in 1986 under law N.1622/86, ‘Local Government – Regional Development – Democratic programming’, (Estate Gazette 92/τ.Α’/14-7-1986).

2000–2006: Third Community-support Framework

The 2000-2006 Community structural-assistance budget allocated to Greece amounted to a total of € 25 bn, compared with € 19.271 bn in 1994-1999. Thus, the amount available for this period was 1.1% more per year than in the previous one. The Greek CSF 2000–2006 aimed to contribute to Greece's further integration into the EU and the knowledge-based world economy by promoting structural change, higher productivity and employment (G.S.I.D., 2005). Despite expectations, the emphasis was again on transport infrastructure (28%) plus infrastructure related to health, social care and sewage networks (Plaskovitis 2006, Psicharis 2004). The "improvement in competitiveness" follows, and "human resources" and the "promotion of employment" are also important. For the first time, priority axes with regard to "quality of life" and "information society" were introduced. The CSF 2000–2006 also included increased efforts in the fields of environment, culture, health and welfare, as well as sustainable regional development. It was financed by € 21.32 bn from structural funds and some € 3.3 bn from the Cohesion Fund, plus loans and guarantees from the European Investment Bank and European Investment Fund.

The major reforms in this period include: a) The European regulatory framework became mandatory (Reg 1260/1999) and the new structural funds regulations formed a new framework of partnership between Greece and the Commission. A new framework (Law 2860/2000) for the management, implementation and auditing of the community-support framework was activated (Psicharis, 2004). Consultation and market orientation of special groups (individuals suffering from long-term unemployment or belonging to sensitive social groups, immigrants, ex-drug addicts etc.) were included in the new human-resources policies. According to Plaskovitis (2006: 7), this is the regional dimension of a new generation of national employment action plans.

Figure 4



Source: BUDG, AMECO, REGIO calculations

* from 2004 onwards

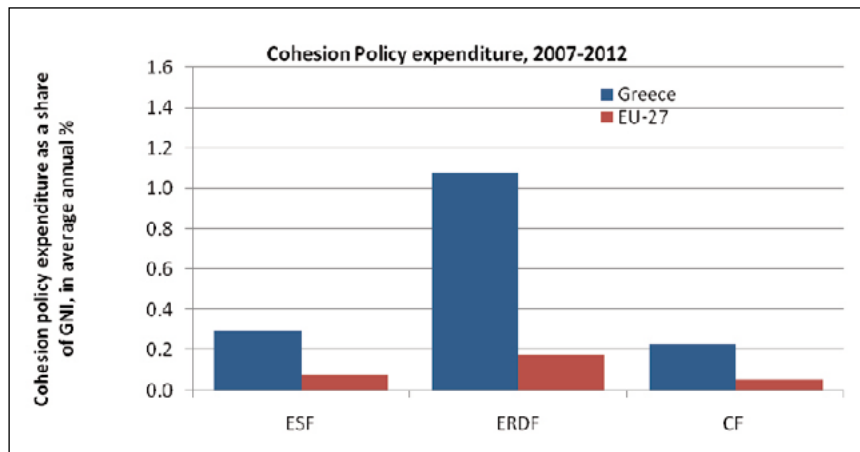
The 2007–2013 programming period

The 2007-2013 programming period was a period with serious problems that threatened the effectiveness of the programmes. Firstly, it started with a delay. The Greek administration's efforts to complete successfully the 2000-2006 programmes (which for Greece were extended to the end of 2009) diverted efforts away from the 2007–2013 programs. The implementation of operational programmes was also handicapped by burdensome administrative procedures at all levels (i.e. delegations to intermediary bodies, certification of intermediaries and approval of projects).

Secondly, the economic crisis, in the middle of the programming period, created severe problems for the implementation of the programmes. The Greek government was unable to co-finance projects due to liquidity problems and the Commission intervened positively to minimize Greek co-financing rates. As a result, overall implementation of the Greek operational programs accelerated in 2010 and 2011,

and Greece successfully met the quantitative target for absorption provided in the memorandum of understanding for 2010 (EUR 2 750m) and the ERDF and Cohesion Fund targets for 2011 (EUR 2 600 m for ERDF and CF; EUR 3 350 m for 2011, all funds included). Today, that programming period has not yet closed. Similar to the previous programming periods, infrastructure again receives the main bulk of structural funds. To increase efficiency through decentralization, in 2011, Greece undertook a large-scale administrative reform, implying transfers of competence to the newly-elected regional administrations (EC, 2014).

Figure 5



Source: BUDG, AMECO and SFC, REGIO calculations

3. Importance of EU structural funds for the Greek economy

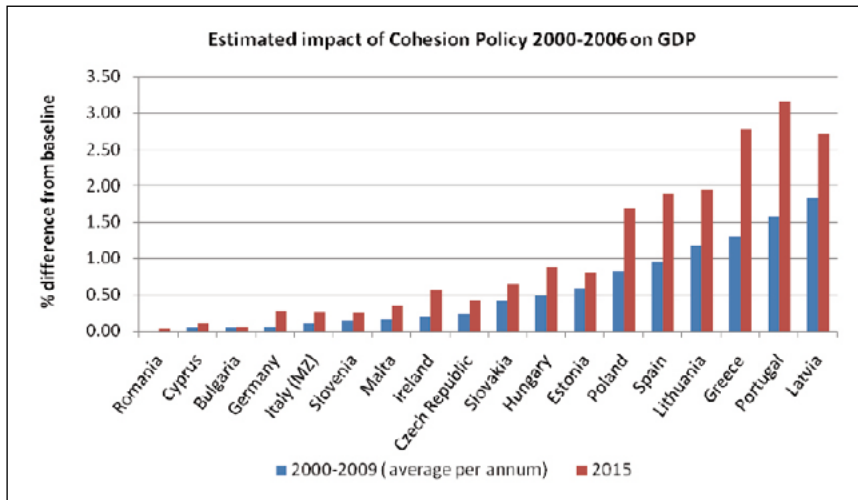
The impact of EU funding for the GDP of EU economies is significant, but it is extremely difficult to estimate with any accuracy. Macroeconomic modelling is the only way of obtaining a more integrated overview of the impact of cohesion policy on the EU economies (EC 2014-6CR). There is extensive literature on the evaluation side of structural funds, especially at the country level. However, assessing the impact of the funds at a lower spatial level (e.g. the regional one) is even more difficult, and this part of the literature remains sparse (Psicharis, 2004). To bridge this gap, the European Commission developed a spatial equilibrium model, under the name RHOMOLO, to analyse the impact of cohesion policy at the NUTS II level. (Brandsma A. et al., 2013)

Every three years, the European Commission publishes a report on the effect of cohesion policy. The latest available one (EC 2014-6CR) makes a model-based² assessment of the potential impact of structural funds during the previous programming periods of 2000–2006 and 2007–2013 in the member states which benefitted most from financial support, including Greece (EC 2014-6CR).

Figures 6 and 7 demonstrate the potential impact of cohesion policy on GDP for the two programming periods, respectively, in the short and in the long run.

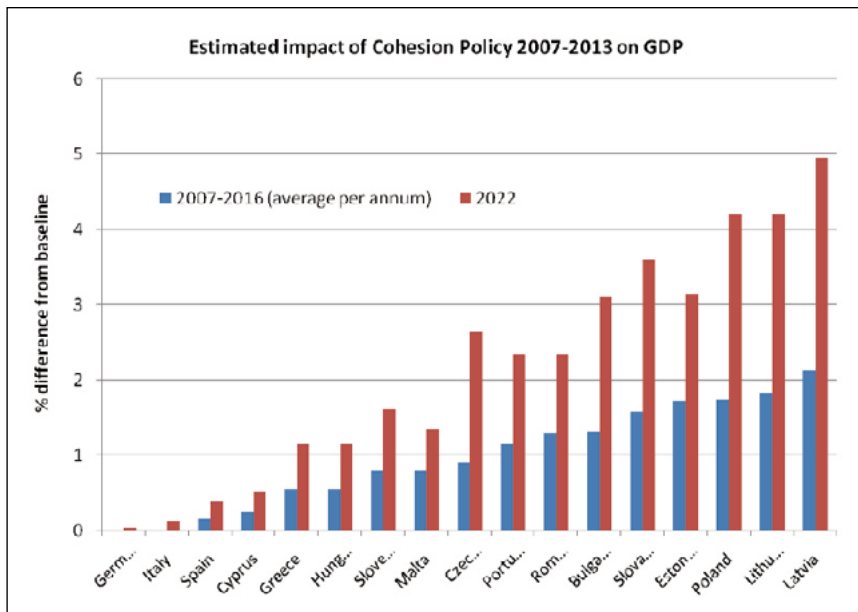
²The model used to carry out this impact assessment is an extension of Quest III that contains a representation of the effect of investment on human capital and endogenous technological change, which makes it particularly suitable for the evaluation of a cohesion-policy type of structural intervention. It also includes explicit cross-country linkages through bilateral trade relationships to capture spillover effects and the interaction between EU member states. For a more detailed description of the model, see Varga, J. and in't Veld, J., A model-based analysis of the impact of Cohesion Policy expenditure 2000–06: Simulations with the QUEST III endogenous R&D model, Economic Modelling 28 (2011) 647–663.

Figure 6



Source: EC 2014-6CR

Figure 7



Source: EC 2014-6CR

These results show the undisputable impact of cohesion policy on GDP in the member states considered. The preliminary results of RHOMOLO also demonstrate a large impact for regions located in Eastern, Central and Southern Europe. For instance, between 2014 and 2023, GDP is expected to increase by 1.7% annually in Norte (Portugal) and by 1.5% in Kentriki Makedonia (EC, 2014).

In the Greek context, the majority of academic literature utilises a mainly quantitative analysis of the impact of ERDF (e.g. Halkos and Tzeremes, 2010; Lolos, 2009; Christofakis and Papadaskalopoulos, 2011) without analyzing the qualitative aspect, including how priorities at the national level align with the needs of particular regions or territories (Spilanis et al., 2013).

The quantitative-assessment studies fail to explain the reasons why the impact of cohesion policy is lower in Greece than expected. The share of the impact of the crisis on this low performance is under investigation from both academic researchers and policymakers. The quantitative-assessment studies also fail to answer whether the policy mix is correct and what would have happened if the choices made with regard to investment priorities were different.

4. Allocation patterns and implications for development

In the preceding sections we briefly examined the content of the four previous programming periods for Greece from 1989 to 2013. This section attempts to map the investment priorities under cohesion-policy thematic objectives, analysing their implications for the country's development pattern and providing insights and explanations for the choices made. Firstly it examines the allocation patterns for the 28 member states to highlight the EU's footprint, then it analyses Greek investment priorities over the five programming periods of structural assistance, and finally the reasons for the design rationale and the implications for the development model of the country.

The latest cohesion report (EC, 2014) reveals the same longitudinal trend for less and more developed regions in Europe from 1993 until 2013. Investment in infrastructure has been persistently higher in less developed regions than in others in the EU-15. The share of funding in less developed regions in the EU-15 allocated to infrastructure, other than environmental infrastructure, was 36% in the period 1989–1993, but this fell to 23% in the period 2007–2013. In the other EU-15 regions, the share of investment in (non-environmental) infrastructure rose from 5% in 1989–1994 to 13% in 2007–2013, in part due to increased investment in renewable energy from 2000 onwards. At the same time, environmental investment increased from 8% to 14% of total funding.

In contrast to infrastructure, investment in human capital was higher as a share of total funding in the more developed regions than in the less developed ones, though it varied between periods. On the other hand, the business support share rose slightly from 31% in 1989–1994 to 34% in 2007–2013.

This trend is dominant in the Greek case. Transport, environmental and social infrastructure are by far the most frequent and generously financed type of intervention throughout the examined periods (Table 1); this "obsession" with infrastructure suggests two possible explanations. First, the infrastructural gap of the Greek regions was obviously so huge that twenty years of operational programmes did not reduce the demands which local planners face to devote the great majority of resources, again and again, to basic infrastructure (Plaskovitis, 2006: p14). Second, the lack of a strategic planning culture led to Greece's dependence on EU aid that focused solely on increasing the absorption rate, with the effectiveness of investment only a secondary concern. EU support was thus directed towards politically advantageous projects, particularly transport, that did not have high added value (Karras, 2012).

So what are the actual causes of directing EU funds solely to infrastructure and avoiding investing in human resources?

Table 1:³ Evolution of Financial Allocations by Category of Intervention⁴

	IMPs	1st CSF	2nd CSF	3rd CSF	4th CSF	5th CSF
Transport Infrastructure	13%	28%	26%	31%	25%	22%
Social & Education Infrastructure	5%	15%	10%	9%	19%	15%
Environment Infrastructure	6%	20%	8%	9%	14%	18%

³Important notes:

- The first 4 columns of the table (IMPs, 1st–3rd CSF) are from Plaskovitis 2009.
- The next 2 columns (4th–5th CSF) are our own elaboration based on data from DG REGIO.
- The 12% of the R&D allocation of the 4th CSF included allocations to private sector "innovation investment plans". The actual "innovative" character of these investments is debatable.
- 5th CSF allocations are calculated without the inclusion of EAFRD (the total allocations is € 19.3 bn of which € 4.2 bn is EAFRD funds).
- The allocation to categories of intervention for the 5th CSF is clearer than those for the 4th CSF, due to the use of thematic objectives in the new programming period.
- 5th CSF: Thematic Objective 2 (ICT), Thematic Objective 4 (low-carbon economy) and Thematic Objective 5 (climate-change adaptation) are all included in the "other" Category of intervention. Clearly, parts of them could also be calculated within the "R&D" and "environment infrastructure" categories.

⁴This table tries to distribute the allocations among specific thematic objectives which were not the same during the six periods of programming. It should be treated with caution since there might be hidden overlaps between corresponding thematic objectives.

Industry (incentives, services, infrastructure)	33%	4%	11%	8%	5%	9%
Tourism (incentives, services, infrastructure)	4%	5%	7%	9%	-	-
Agriculture & fisheries	18%	4%	15%	20%	-	-
Research and Development	3%	1%	1%	2%	12%	6%
Human Resources	9%	18%	12%	7%	9%	11%
Other	9%	5%	10%	5%	16%	19%

Source: Plaskovitis 2006, DG REGIO, own elaboration

The truth lies somewhere in the middle. Greece followed the EU average and invested more in infrastructure, like the rest of the cohesion countries of the Mediterranean. According to some estimates, 25 per cent of the EU's so-called regional funds to Portugal has been invested in roads, contributing strongly to a ridiculous situation whereby the country has 60 per cent more kilometers of motorway per inhabitant than Germany and four times more than Britain (Persson, 2013). Meanwhile, around one third of EU structural funds in Spain has been invested in infrastructure, while, as in Portugal, creating infrastructure with less demand.

The phenomenon in Greece was similar. Structural and cohesion funds have predominately been directed towards investment in physical capital (tangible assets such as roads, buildings, machinery, ports, airports etc., Karras, 2012). The problem was intensified by the consistent shifting of priorities and erosion of the initial planning (Psixaris, 2004). This is especially pertinent in the Greek case, which as Chardas (2012) explains has a highly centralised governance system with much less autonomy given to local authorities. Batterbury (2006) considers Greece to be one of the member states with little experience in planning and evaluating structural fund actions, 'where evaluation is being driven by the regulatory obligations of the Structural Funds (Spilanis et al, 2013).

The core of the problem can be found in the programme design during the planning phase. The planning process is diverted by political pressures from a variety of stakeholders. The usual result was a rather incoherent 'shopping list' of projects which tended to focus more on 'hard' infrastructure. The infrastructure projects were consistently selected because, according to the policy officers (Spilanis et al, 2013): they had a clear output; there was enough technical and managerial expertise to run these projects; local communities consider these projects to be 'money properly spent'; there is a strong perception among decision-makers that transport infrastructure and more generally the construction sector can boost economic growth (Rodriguez-Pose 2002, De la Fuente, 2002).

But, in turn, this was counterproductive in economic terms and had serious implications for the development model of the country. In theory, structural funds (in Greece) should aim to remove the determinants for lagging development, such as the under-investment in public capital stock, low accessibility, the poor quality of labour force, innovation and low institutional quality (EC 2014-6CR)

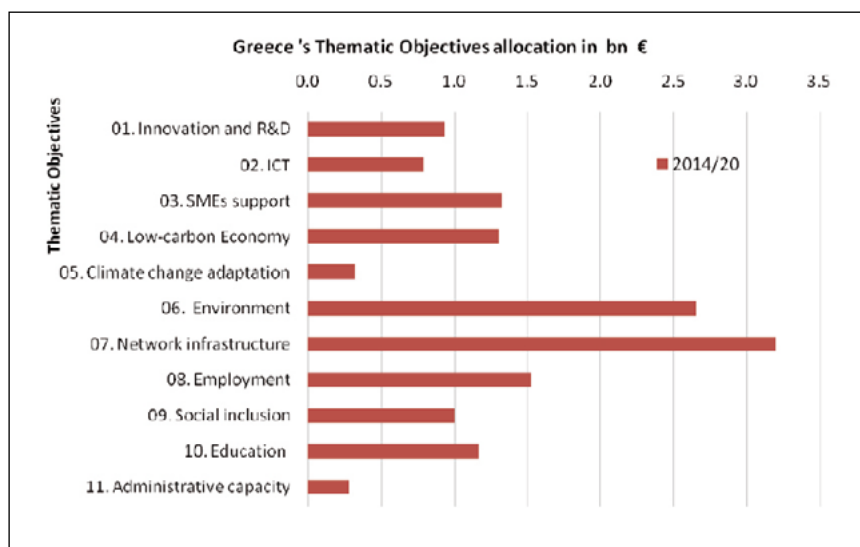
In the Greek case, the poor competitiveness of the economy and the lack of innovative companies and skilled labour were viewed as rather low priorities compared to 'hard infrastructure' projects and were largely disregarded during the consultation and planning process in the majority of programmes. This contrasts with the current planning orthodoxy in the EU (e.g. EU, 2010) and the 'Europe 2020' strategy, which focus on encouraging investment in the R&D and productive sectors as well as the knowledge economy and higher levels of skills (Spilanis et al, 2013).

5. Future programming period 2014–2020 and its contribution to EU 2020

The new programming period is characterized by ambitious reforms which aim to increase the effectiveness of the programmes and face the structural rigidities of the past, as noted previously. For the first time, investment from ESI funding is concentrated on thematic objectives and targets directly derived from the Europe 2020 strategy. Provisions for thematic concentration for each fund will further enable cohesion policy to target resources at key growth factors. Secondly, investment under ESI funding is more closely linked to economic governance processes. Thirdly, each programme will have a performance framework allowing it to measure progress against milestones defined for it. A performance reserve will reward good performance. Finally, two kinds of conditionalities, ex ante and macroeconomic, will ensure that the necessary framework conditions for effective use of Union support are in place and that the wider economic environment does not erode the impact of EU investment (EC 2014 6thCR).

The application of these reforms is crucial for the success of the next Greek programme (2014–2020) and the contribution to restarting the economy. Greece's allocation for structural funding (ERDF, ESF, CF) for the period 2014–2020 amounts to € 15.1 bn, compared with € 20.2 bn in the 2007–2013 period (country fiche). The priorities for Greece are set out in the partnership agreement (PA) approved by the European Commission on 23 May 2014.⁵ The approved PA covers all eleven thematic objectives. Particular focus is put on competitiveness, human resources and active social inclusion, environment and the completion of infrastructure. Figure 8 shows the allocation per thematic objective as a percentage of the total. Network infrastructure is still the thematic objective with the highest allocation of all (22.07%), but it is significantly reduced compared to the 2007–2013 period (Figure 9). The administrative capacity of the public administration appears for the first time, but we doubt if the amount allocated is enough to address the inefficiencies of the public sector. Since we stressed earlier the importance of the huge deficiencies of the Greek administrative system in relation to the effectiveness of the structural funds programmes, it seems to be rather too optimistic to foresee a great impact from ESIF without a radical public administration reform supported by it.

Figure 8

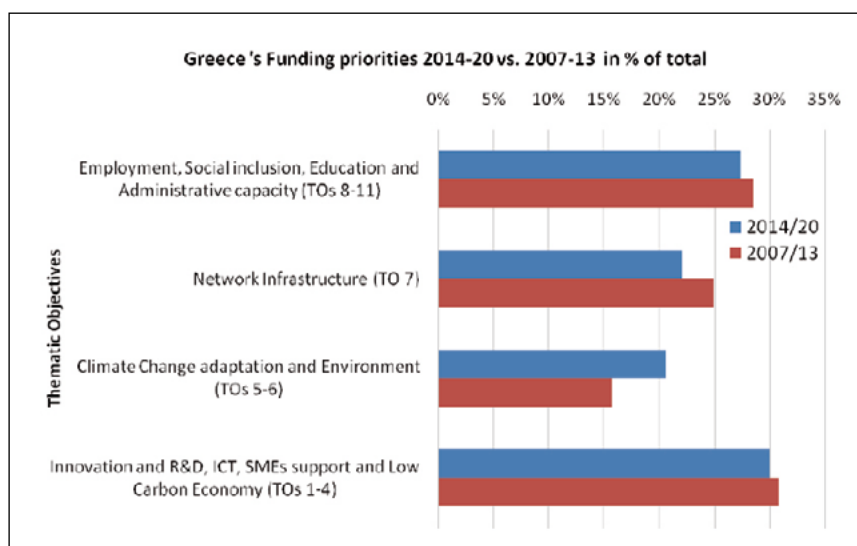


Source: EC 2014, DG REGIO

⁵There are on going negotiations with the GR authorities with regard to the operational programmes.

The Greek regions will invest relatively more compared to 2007–2013 on ERDF priorities (R&D and innovation, ICT, SMEs and low carbon) and climate-change adaptation priorities. In turn, less money will be invested on network and environmental infrastructure and in ESF priorities in total (employment, social inclusion, education and governance).

Figure 9



Source: EC 2014, DG REGIO

The new programming period of 2014–2020 is important not only for restarting the economy but also for achieving the EUROPE 2020 targets. Today, Greece is not far off reaching these targets but there are specific fields where extra effort must be made. Table 2 shows the national targets and the current level, revealing the distance that has to be covered. R&D, innovation and renewables are very low compared to national targets. ESIF's contribution here is expected to be high. Since public investment is very low in these fields, the ESIF allocation for this period, due to thematic concentration, will stimulate these sectors and reduce the gap in the targets. The added value of this investment will be much higher compared to the investment in transport.

Table 2: Europe 2020 headline targets – National targets and current (2008, 2009 and 2010) levels

Europe 2020 headline targets	National target	Level
Employment (2010)		
75% of 20–64 year-olds to be employed	70%	64%
R&D and innovation (2009)		
3% of the EU's GDP to be invested in R&D/innovation	2%	0.6%
Climate change / energy (2008)		
Greenhouse-gas emissions to be 20% lower than in 2005	-4%	
Greenhouse-gas emissions in sectors not covered by ETS to be 10% lower than in 2005	4%	
20% of energy to come from renewables	20%	8%
Education (2010)		
Reduce the school dropout rate to below 10%	9.7%	13.7%
At least 40% of 30–34-year-olds to complete third-level education (or the equivalent)	32%	28.4%


Poverty/ social exclusion (2009)		
At least 20 million people to be at less at risk of poverty or social exclusion (per million inhabitants)	0.45%	3.1
Population at risk of poverty or exclusion (% of pop.)	24%	27.6%
Persons at risk of poverty after social transfers (% of pop.)		19.7%
Severely-materially-deprived persons (% of pop.)		11%
Persons living in households with very low work intensity (% of pop.)		6.5%

Source: DG REGIO, Country fiche

6. Discussion

In summary, the main characteristics of Community-support financial allocations throughout the period 1989–2020 are:


- A continuous emphasis on “hard” infrastructure which does not significantly diminish as we progress from the 1st CSF to the 5th CSF, although it could be argued that the most pressing demands would have been met by the first CSFs: Transport and environmental infrastructure combined accounts for 48% of the allocations in the 1st CSF, falling to (at least) 40% in the 5th. This does not take into account actual allocations that can only be measured after the closure of each CSF and for which no reliable data are yet available.
- An emphasis on the absorption of funds at the expense of quality, impact and sustainability (ELIAMEP, 2013). Although this is something to be expected for the initial CSFs, where the lack of experience and planning/ monitoring capacity was profound, it did not substantially improve with time. Thus, as an example, when in the 3rd and 4th CSF the authorities were faced with the prospect of budget under-spending, they authorized a shifting of the budget towards support for SMEs with almost no requirement for justification or cost-benefit analysis and without any obvious added value for the economy. In the end, a large number of SMEs that produced non-tradable products and services were funded though adding no obvious value to the economy.
- An initial allocation of infrastructural project funding to small-scale projects with no obvious long-term planning or strategy behind them (segmentation of allocations) which resulted in minimizing the impact of investment (Georgiou, 1999; De la Fuente et al, 1995). This can be attributed both to the inexperience of the central and regional mechanism as well as to the corporatist and voter-pleasing nature of the Greek public sector. This initial tendency receded gradually, after the 2nd and especially the 3rd CSF. The reasons behind this improvement were twofold:
 - o Internal: Planning and monitoring mechanisms were set up and functioning by the end of the 1990s; political direction as well as the need to prepare for the 2004 Athens Olympic Games prioritised larger projects; regional authorities were better organised and better able to perform their planning and monitoring functions.
 - o External: Tightening of the structural funds regulations that demanded more effort in terms of planning, programming and cost-benefit analysis from member states and their regional authorities
- A very inefficient system of “vocational training” that absorbed the lion’s share of ESF funds, though producing little in return in terms of “retraining” or offering market-related skills to those entering the jobs market or who were unemployed (ELIAMEP, 2013; Psicharis, 2004). Although the system (that was initiated in the 2nd CSF) has been heavily criticized as inefficient and nothing more than a thinly veiled unemployment-benefits dispenser, no serious attempt to reform it was ever undertaken.
- An overall under-representation of investment in education, R&D and innovation in all CSFs. Allocations to R&D were in the range of 1–2% in each of the 1st, 2nd and 3rd CSF. Although the exact percentage is not clear in the 4th CSF, it is similar to that in previous ones. The increase to 6% in the 5th CSF can be mostly attributed to conditionalities like the smart-specialization strategy attached to the ESF by the European Commission, rather than a clear strategy on the part of the central and regional authorities. It is clear that structural funds allocation was not used by the Greek authorities as a means to achieve the country’s targets in the Lisbon Strategy, and it remains to be seen how it will contribute to achieving EUROPE 2020 commitments like the R&D and innovation target of 2% of GDP, which is arguably the hardest to achieve of the targets set for Greece (a 333% rise from the 2009 level of 0.6% needs to be achieved by 2020). Similarly, investment in education has been a secondary priority. To be sure, Greece has invested in each of these years in new higher-education



institutes (7 out of 37 HEIs in Greece were founded after 1989) as well as establishing new schools and departments in already existing ones. But this was done without any clear strategy that could link the needs of the country and its development strategy to the quality and output of the HEIs. The lack of such a strategy often resulted in the creation of departments with obscure titles and degrees that would at best be just a specialization rather than a discipline. Additionally, the country invested a lot in the renewal of its primary and secondary “hard” infrastructure but too little in renewing its curricula and teaching methods. As a result, the core characteristics of the primary and secondary education system have remained intact for the past three decades. The issue of underinvestment in R&D and innovation resembles the old “chicken-and-egg” problem. Policymakers are reluctant to pledge resources in a very weak Greek innovation ecosystem (characterized primarily by an almost non-existent link between industry and academia and very weak private-sector investment (EC, 2011; Innopolicy TrendChart, 2011), and the innovation ecosystem will never grow without significant investment. On the other hand, the underinvestment in education has a lot to do with the need to modernise and reform the education system (quite a feat in itself, as proven by the several failed attempts towards modernization during the past two decades). An almost obsolete education system can only guarantee a very low return on investment, no matter how generous the allocations may be.

What does all of the above tell us about the choices that national and central authorities made during the past 25 years of structural-funds financing and what are the implications for Greece’s developmental model? With the benefit of hindsight, it might be argued that if Greece had selected to invest more heavily in education, R&D and innovation, it would have better prospects of building a knowledge-based economy that would favour extroversion and a focus on internationally tradable goods and services, although it might lack some of today’s really impressive transportation infrastructure. The recent (and ongoing) financial crisis has revealed the weaknesses of the Greek economic model that heavily depended on borrowing, consumption, low-added value production and a non-competitive private sector oriented towards public money rather than a knowledge-based economy and the production of internationally-tradable goods (McKinsey, 2013). Why then at no point in the past 25 years did Greece not opt to reverse this trend and invest more in education, R&D and innovation? We believe that more systematic research should be done to answer this question, including research into decision-making processes, planning and monitoring mechanisms, as well into the economic and political system itself. However, we can offer an initial set of explanations which need to be verified by systematic research. The main reasons are institutional, structural and political:

- Institutional: The lack of planning and monitoring experience on the Greek side when the CSF started has been well recognised and documented. What needs to be emphasised are two important characteristics of this weakness: First the lack of experience was more profound at the regional level since the Greek administrative regions were established just three years before the beginning of the 1st programming period. This had profound implications for the readiness of local authorities vis-à-vis ownership of the regional operational programmes (ROPs which would in time become ever more important as part of EU regional policy and a core aspect of structural funds) and implied a chronic dependency on national authorities. Secondly, the services at the national level that were first assigned the role of planning and monitoring (the old Ministry of Planning that later moved through a series of renaming exercises) was not completely inexperienced; indeed it had quite good experience in implementing public infrastructural projects. This had serious consequences when the same people were asked to extend their efforts to investment in “soft infrastructure”, like education, social programmes and R&D, of which they had no prior experience. This is quite obvious in the use of the “technical data sheet” which is still used today to officially describe any structural-funds project: It is clearly elaborated to describe a “hard” infrastructure project, but it is used for all CSF projects, even research ones. Another serious institutional aspect was the lack of focus on the impact of interventions, which had implications for a series of issues: From the focus on absorption rather than the quality of the results achieved, to the absence of long term target-based policy coherence of the allocation of funds. It should be noted that even today very little has been done regarding measuring the impact of various interventions. As an example, actions supporting SMEs cannot produce indicators other than the level of investment and the number of new employment positions created.
- Structural: These are mainly inherent weaknesses of the national innovation, education and R&D systems that demanded a systematic reform effort before any investment could bring the desired results. An obvious example is the great internal (and often violent) resistance by the country’s universities towards any effort to connect with industry and the economy. Several reform efforts



aiming to modernising the universities failed (the most recent one, initiated in 2011, is underway but has yet to demonstrate real results). Similar weaknesses can be found in the innovation ecosystem (Komninos N. et al, 2008).

- Political: These include a) a political system at the upper (national government) and lower (local government) levels that was used to secure votes by dispensing money and which opted for more visible “infrastructure projects” rather than more long-term “soft infrastructure” ones; b) corruption at all levels that favoured projects that presented better “cash-back” opportunities; c) a society that was to a great extent corporatist and “rent-seeking”, and thus less inclined to favour investment that did not promised an immediate return.

Suggestions for further research:

- Compile a reliable data set of actual allocations after the adjustments that took place in each of the CSFs and after their closure. These data might indicate the extent of transfers of funds from education, research, innovation and social budget categories to “hard-infrastructure” ones.
- Research on the medium- to long-term economic, social and environmental impact of the main “crown-jewels” transportation infrastructure projects that were funded by the CSFs.
- Research on the institutional development and internal conflicts/ interests of the planning and monitoring mechanisms of the Greek state at the national and local levels, starting from the Ministry of Planning and including the role of the Management Organisation Unit S.A. and all the institutional players involved.
- Research on the impact of the reforms of the cohesion policy on low-performance member states.

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The governance effects of EU cohesion policy in Greece; the horizontal dimension

George Andreou

1. Introduction

Political scientists usually study the domestic impact of EU cohesion policy with the aid of the conceptual tools of multilevel governance¹ and Europeanisation². In these approaches, a key question in relation to cohesion policy is whether EU policies, practices and preferences increase the influence of sub-national and non-state actors, either by redistributing resources in their favour (rationalist explanation) or reshaping the preferences of domestic actors (reflectivist explanation). The effect in both cases is that influence over decision-making and its outcomes become more diffuse.³ Multilevel governance should, however, not be equated with the argument that the state is in the process of irrevocable decline, or even that state power is necessarily weakened. Rather, it should be understood as a challenge to the role, authority and perhaps the nature of the state, but a challenge that, in some circumstances at least, can be met⁴ (Bache, 2008: 31).

In developing a multilevel governance approach, Hooghe and Marks (2003) created a two-fold typology for multilevel governance. Type I multilevel governance describes system-wide governing arrangements in which the dispersion of authority is restricted to a limited number of clearly defined, non-overlapping jurisdictions at a limited number of territorial levels, each of which has responsibility for a plurality of tasks. On the other hand, type II multilevel governance refers to governing arrangements in which the jurisdiction of authority is task-specific, whereby jurisdictions operate at numerous territorial levels and may be overlapping. In type I, authority is relatively stable, but in type II it is more flexible in order to deal with the changing demands of governance. These types of multilevel governance are not mutually exclusive, rather they can and do coexist.

The academic debate on cohesion policy and multilevel governance is usually exhausted in the study of the “triadic dynamic” between regions, nations and EU institutions. A number of recent studies have, however, produced evidence of a less orderly and more complex reality both across and within European states. More precisely, according to Bache (2008: 167; 2010: 121), the effects on type II multilevel governance are more evident than on type I, with EU cohesion policy triggering a proliferation of ad hoc and functionally specific governance arrangements at various territorial levels involving a diverse mix of actors. Bache’s main conclusion is that future research on the domestic governance effects of EU cohesion policy should put greater emphasis on a) the interaction between formal (and orderly) and informal (and disorderly) governance and b) the actual distribution of power.


There is already a significant amount of literature on EU cohesion policy and issues relating to multilevel governance in Greece. Predictably, the bulk of this literature focuses on the vertical dimension of multilevel governance, i.e. the relations between the European Commission, central government and

¹The concept of multilevel governance describes the changing relationships between actors located at different territorial levels across the EU, emphasizing the increasingly blurred distinction between domestic and international politics. According to its advocates, multilevel governance is prominent at the implementation stage of cohesion policy. An alternative – though not necessarily competing – explanation of the impact of cohesion policy on governance is codified by the notion of “flexible gate-keeping”; this concept stresses the gate-keeping powers of national governments at all stages of policy-making – especially the implementation stage – and stresses the distinction between multilevel participation in policy-making and multilevel governance (Bache, 1998: 155).

²The term ‘Europeanization’ is usually used to describe the processes of constitution, diffusion and institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’ and shared beliefs and norms that are first defined and consolidated in the making of EU decisions and then incorporated into the logic of domestic discourses, identities, political structures and public policies (Radaelli, 2000: 3).

³In both accounts, learning is seen to be a feature of change, but it has a different meaning in each. A key distinction is between ‘thin’ (or single loop) and ‘thick’ (or double loop) forms of learning. Thin learning refers to the readjustment of actor strategies to allow them to achieve unchanged goals in a new context or how to get round an obstacle by using a menu of well-known responses in various ingenious ways. Thick learning involves the modification of actors’ values and thus a reshaping of their preferences and goals (Bache, 2008: 5).

⁴Indeed, a key criticism of multilevel governance has been its failure to distinguish governance from participation; the latter refers to engagement in decision-making, while the former implies that engagement involves some influence over the outcomes of this process.



the regions, and local government.⁵ On the other hand, it has been demonstrated that the most tangible EU effect on governance during the implementation of cohesion policy in Greece has been the establishment and/or proliferation of 'special' structures and supporting mechanisms operating at various territorial levels outside the mainstream public administration – such as the Managing Authorities of Operational Programmes, the Management Organization Unit (MOU), semi-independent companies managing major infrastructure projects and various Development Companies operating at the subnational level (Andreou, 2006; Andreou, 2010). What is missing, therefore, is a systematic attempt to explore and assess the role of these type II bodies. The goal of this paper is to take the first step in this direction, both theoretically and empirically.

The first task is to select the appropriate analytical approach in order to identify and categorize the diverse bodies operating within the domestic policy networks of EU cohesion policy; for this purpose, the concept of policy networks is utilized. The next step is to determine the range and nature of interactions and interdependencies between participants in cohesion policy in Greece using a single 'cohesion policy network'. This model, despite its usefulness, is too crude to capture all the complexities of the processes involved – or to identify all the important stakeholders; a multiple network approach is thus advocated.

2. Policy networks and multilevel governance in EU cohesion policy

The concept of policy networks was originally established in studies of public policymaking in the United States, later developed in Britain, particularly through the work of Rhodes (1981, 1988, 2006), and first applied to the study of EU cohesion policy by Bache, George and Rhodes (1996). It is a mid-range or 'meso-level' concept, aimed at explanations of particular policy sectors or issues. The policy networks concept can be interpreted in at least four ways: i) as a metaphor, covering any policy which emerges from the interaction of several actors or institutions; ii) as a reference to personal links between decision-makers; iii) as the links between public organizations, as well as between public and private bodies that must implement policy; and iv) as a set of resource-dependent organizations (Rhodes, Bache and George, 1996: 381–2)., According to the "Rhodes model", however, a policy network is a set of resource-dependent organizations.

In order to explain how linkages develop within policy networks, Rhodes (1981) used a power-dependence framework containing five propositions:


1. Any organization is dependent upon others for resources;
2. Organizations have to exchange resources to achieve their goals;
3. Decision-making within each organization is constrained by other organizations, but the dominant coalition enjoys some discretion. The appreciative system of the dominant coalition dictates which relationships are seen as a problem and which resources will be sought after;
4. The dominant coalition employs strategies within known rules of the game to regulate the process of exchange;
5. Variations in the degree of discretion are a product of the goals and the relative power potential of interacting organizations. This relative potential is a product of the resources of each organization, the rules of the game, and the process of exchange between organizations (Rhodes, 1981, quoted in Rhodes, Bache and George, 1996: 368).

Resource dependence is central to the Rhodes model. The types of resources that organizations bring to a policy network to exchange in the process of bargaining include constitutional-legal, organizational, financial, political and informational resources. These resource dependencies are the key variable in shaping policy outcomes. Their interdependence is, however, generally asymmetrical and in some cases it is possible to talk of "unilateral leadership" within networks (Bache, 2008: 33).

Policy networks vary along five key dimensions: their constellation of interests, membership, vertical interdependence, horizontal interdependence and distribution of resources (Rhodes, 1988: 77–78). Networks can vary along a continuum according to the closeness of the relationships within them.⁶ At one end of the continuum are highly integrated policy communities, characterized by: limited membership;

⁵See, for instance, Ioakimidis (1996), Andrikopoulou and Kafkalas (2004), Getimis and Paraskevopoulos (2002) and Getimis and Demetropoulou (2004).

⁶The obvious implication of using a continuum is that any network can be located at some point along it.



stable membership over long periods of time; a high level of interaction between members; shared values between members; some degree of equality in the distribution of resources; and a relative balance of power and influence between members. At the other end of the continuum are loosely integrated issue networks, marked by: large and diffuse membership; frequent shifts in membership; fluctuating frequency of contact between members; a lack of shared values; marked inequality in the distribution of resources; marked inequality in power and influence (many participants may have few resources, little access and no alternatives). Resource exchanges in a policy community produce interdependence and create a positive sum game, i.e. everybody wins. In contrast, relationships in an issue network are primarily consultative and produce a zero-sum game, i.e. there are winners and losers (Rhodes, Bache and George, 1996: 370).

An important assertion of the Rhodes model is that highly interdependent, stable and relatively closed policy communities are more able to shape policy outcomes and resist external pressures than are less interdependent, less stable and relatively open issue networks. Policy output is, however, generally not just a function of internal network characteristics, it is also shaped by changes in the broader political and economic environment (Rhodes, Bache and George, 1996: 370). As a consequence, this approach is at its strongest when used in combination with a macro-level theory of politics or policymaking that seeks to explain broader changes in the environment in which the network is located.

As a concept, multilevel governance has been criticized for its failure to distinguish between participation and governance, i.e. between engagement in decision-making processes and influence over the outcomes of those processes. In terms of linking Europeanization to multilevel governance, the key issue is whether EU policies, practices and preferences increase the influence of subnational and non-state actors, either by redistributing resources in their favour (rationalist explanation) or reshaping the preferences of domestic actors (reflectivist explanation); the effect in both cases is that influence over decision-making and its outcomes becomes more diffuse. To assist in this empirical investigation, the policy-networks approach can be used as a conceptual bridge between Europeanization and multilevel governance (Bache, 2008: 162).


Applying a purely rationalist policy-networks approach, the argument postulated would be that Europeanization that promotes a shift toward multilevel governance within states would require a redistribution of domestic power resources in favour of subnational and non-state actors. In the context of EU cohesion policy, in particular, one has to examine whether cohesion policy has strengthened the different types of resources of subnational and non-state actors within the domestic arena: informational, by bringing them into decision-making arenas and giving them access to knowledge; constitutional-legal, through their status as recognized policy actors under EU regulations; political, by acknowledgment of their legitimate role in development policies and as actors close to the ground (local authorities and community actors) or through their sectoral expertise and representation (trade unions and nongovernmental organizations); and financial, by giving them access to EU funding. On top of that, following a more nuanced approach integrating reflectivist arguments about the role of ideas and policy learning, one has to examine whether cohesion policy has led to the establishment of more cohesive policy networks bearing the traits of policy communities; this phenomenon would be an indication of change in the process of decision-making and in the actors' conceptions of power⁷ (Bache, 2008: 162–3).

3. The governance of cohesion policy in Greece, 2000–2013: a 'single network' approach

The origins and composition of the 'cohesion-policy network'

Since 1988, EU cohesion policy has been organized on the basis of multi-annual programming cycles. In very broad terms, each of these cycles contains three different phases: negotiating the financial envelope, creating the legal and institutional context, and structural programming. The first two stages take place at EU level, whereas the third stage develops at the national and/or subnational level (Marks, 1996). This policy process can be depicted as a series of embedded games, whereby the outcome of each game frames the rules of the next game. Thus, actors are constrained by decisions taken previously but have plenty of room to pursue their own negotiating strategies (Benz and Eberlein, 1999:

⁷Any investigation of the potential for Europeanization effects should, however, be accompanied by the exploration of other (non-EU) sources of change.



343). In this line of argument, the sequential nature of the decision-making processes provides ample opportunity structures to national and subnational actors, who are yet to be conditioned by domestic institutions (and especially by the distribution of organizational resources among them). Put differently, the implementation of cohesion policy has simply been a response to “European” prescriptions, but the outcome of continuous interaction between a great number of actors, be they supranational, national and subnational institutions or domestic interest groups (Andreou, 2006: 243).

It is important to stress, however, that ‘structural programming’ is a general term describing a series of distinct (although interrelated) processes, each of which develops in a different time frame, involves a different set of organizations, follows a different logic and conforms to different rules. More precisely,

- At the programming stage, each Member State produces a draft Community Strategic Framework (CSF) (2000–2006) or National Strategic Reference Framework (NSRF) (2007–2013). In addition, Member States present draft Operational Programmes (OPs) which cover entire Member States and or regions. There will also be cooperation programmes involving more than one country. These documents are then finalized through a process of consultation between the national government and the Commission. Then, the Commission negotiates with the national authorities on the final content of the Partnership Agreement, as well as each programme. This process should comply with the partnership principle: subnational, social and civil society organizations are encouraged to participate actively.
- At the implementation stage, OPs are implemented by the Member States and their regions. This means selecting, managing, monitoring and evaluating hundreds of thousands of projects. For each OP, a ‘Managing Authority’ is in charge of project selection and management; monitoring is undertaken by a ‘Monitoring Committee’ (organized and operating in conformity with the partnership principle). Besides, payments, control and evaluation are distinct processes entrusted to specific actors and follow specific rules.


Following the policy-networks approach, there has been an attempt to conceptualize the governance architecture of cohesion policy in Greece as a single network (Figs 1 and 2).

At the hub of this network lies the General Secretariat for Investment and Development of the Ministry of Development [previously in the Ministry of Economy and Finance (MEF)]. This is the organization that has been in charge of the implementation of cohesion policy in Greece ever since the first Community Support Framework and the organization which dominates the core policy network of cohesion policy. Most of the other members of this core network were created either at the end of the 1994–1999 period or at the beginning of the 2000–2006 period. In the former case, change occurred because the European Commission obliged the Greek authorities to establish a host of supporting task-specific institutions in order to improve the management and monitoring of programmes and projects co-financed by the EU.⁸ In the latter case, the 1999 reform of cohesion policy obliged national authorities to set up efficient and accountable management, monitoring, control and evaluation systems that would meet with the approval of the European Commission. In the ensuing negotiations between the Greek government and the Commission, it was agreed that each Operational Programme would henceforth be managed by a “special service” falling under the authority of the responsible ministry or region.⁹ On the other hand, the installation of new Managing Authorities, as well as the establishment of new management, payment, monitoring, auditing and evaluation systems were closely supervised (and approved) by the Commission (Andreou, 2006: 251–2).

In December 2000, the Greek government passed legislation (L. 2860/00) establishing the institutional framework for 2000–2006. The General Secretariat for Investments and Development was upgraded in terms of personnel and infrastructure in order to carry out its many missions that included the co-ordination and supervision of activities of the managing authorities of the various OPs, general

⁸These were the Management Organisation Unit (MOU) which is a semi-independent body operating under private law that was responsible for the supply of advice, administrative tools and know-how to the monitoring authorities and implementation agencies, a specialized agency to attract private investment (ELKE), the Joint Steering Committee for public Works (MEK) and an Expert Agent for the Sampled Quality Control of Infrastructure Projects (ESPEL). Moreover, a number of semi-independent companies were set up for the management of large infrastructure projects according to the Public Private Partnership (PPP) model. As a consequence, although the official management and monitoring structures were not altered, the quality of policymaking was indeed improved, though implementation effectiveness varied greatly across individual OPs (Ioannou, 2001: 258–269).

⁹During the negotiations for the 2000–2006 Community Support Framework, the Commission promoted the idea of a management system that would be immune from all outside interference, while the Greek government insisted that the new management bodies should be incorporated into the body of public administration. In the end, the Greek government’s view prevailed.



accountability to the Commission, control of the additionality principle, management of the Integrated Information System, co-operation with the payment authority (an autonomous service also situated in the Ministry of Economy and Finance), evaluation of the CSF, allocation of the performance reserve and the planning reserve, modernisation of the public works system and management of the Cohesion Fund. Each OP was managed by a Managing Authority (MA) belonging to a relevant ministry or region. All MAs were organized in an identical manner, their personnel being either reposted civil servants or new recruits. The supporting institutions set up in the previous programming period were retained and placed in the service of the MAs. Policy monitoring was undertaken by a monitoring committee for the CSF as a whole (under the MEF), assisted by the monitoring committees in charge of each of the 12 National Operational Programmes (NOPs) and 13 Regional Operational Programmes (ROPs). These monitoring committees were made up of national administrators (for the NOPs) or regional and prefecture officials (for the ROPs), Commission officials, a representative of the MNE and representatives of relevant social partners (Fig. 1).


For the 2007–2013 period, the EU aligned the governance architecture of its cohesion policy with the Lisbon strategy. This “Lisbonization” of cohesion policy involved three technical innovations: the joint definition of EU goals for the policy and adoption of national strategies to guide implementation; an earmarking instrument to encourage the allocation of expenditure to Lisbon-related interventions; and a mechanism for strategic reporting to the Council of Ministers to promote accountability and high-level debate about effectiveness. From a national perspective, the most significant innovation was the substitution of Community Strategic Frameworks (CSFs) – which were the central programming documents in the three previous programming periods – by National Strategic Reference Frameworks (NSRFs). Resembling the national-action plans under the European Employment Strategy, the aim of the NSRFs was to provide a national framework for steering programmes towards Lisbon objectives (Mendez, 2011).

The 2007–2013 network is not radically different from the previous one (Fig. 2). Yet, contrary to the government’s assertions, the changes introduced point towards more centralization and more complex decision-making procedures, while there is also a greater diffusion of responsibility. To begin with, the division of labour between NOPs and ROPs has changed: all ROPs were coordinated by a single Managing Authority under MEF. This new body would delegate management competences to the 13 ‘old’ Regional Managing Authorities – now renamed ‘Intermediate Managing Authorities’ (IMAs) – and to the National ‘Managing Authorities’ covering European Regional Development Fund (ERDF) interventions. Moreover, the range of interventions under the ROPs shrank: in effect, they mostly included infrastructure projects under the ERDF. Besides, some line ministries that ‘lost’ control of individual Ops set up their own ‘Intermediate Managing Authorities’, as well as several ‘Coordination Authorities’, the task of the latter being to coordinate the activities of the ROPs in their policy field; henceforth, the regional ‘intermediate managing authorities’ were obliged to acquire the consent of these coordinating bodies before approving the inclusion of concrete actions in the ROPs. These complex arrangements significantly increased the bureaucratic load of policy implementation,¹⁰ making the timely absorption of EU funds – let alone efficient implementation of the Ops – all but impossible (Andreou and Lykos, 2011; Andreou and Papadakis, 2012).

The impact of the ‘cohesion policy network’ on multilevel governance

As the above discussion has illustrated, EU cohesion policy has had a significant impact on the development of horizontal governance in Greece. Since the second CSF, the central government has favoured the expansion of task-specific governing bodies operating at numerous territorial levels. In other words, it can be argued that Europeanization pressures were ‘accommodated’ (Börzel and Risse, 2000: 10) through ‘layering’. On the one hand, the core of pre-existing processes, policies and institutions remained unmodified. On the other hand, new layers of institutions were added to the system and ‘sold’ as refinements of or corrections to existing institutions (Streeck and Thelen, 2005: 23).

¹⁰It has been estimated that, overall, management of the OPs for the 2007–2014 NSRF was entrusted to 106 different services employing 3,763 persons.



In terms of the vertical dimension of multilevel governance, it must be stressed that the existence and operation of the cohesion-policy network does not have a direct impact on power relations within the Greek state. The first thing to note is that it is a centralized and hierarchical network led by the General Secretariat for Investments and Development of the Ministry of Development – which is clearly the most important and powerful actor. Another feature worth mentioning is that the most powerful line ministries – namely the Ministry of Public Works, the Ministry of Labour and the Ministry of Agriculture – have achieved a significant degree of autonomy (and a large share of the available funds). Finally, the continuing weakness of the Greek regions is striking.¹¹

In contrast, when it comes to the horizontal dimension of multi-level governance, it is evident that the cohesion policy network has generated a number of significant changes. In essence, the very existence of this network represents an important challenge for the “traditions” of Greek public administration, i.e. poor or inexistent co-ordination, excessive legalism and hierarchical control, turf-fighting, a lack of high quality technical personnel, the inefficient use, and often lack, of resources, clientelism and non-meritocratic norms, party infiltration and lack of permanency for senior positions (Featherstone and Papadimitriou, 2008: 41–45). Indeed, the network created in 2001 was founded on a different logic to the previous system – which could not satisfy the principles and standards of cohesion policy, focusing instead on maximizing absorption. Subsequently, there has been evidence of a top-down process of change driven by both strategic calculations and, progressively, substantive learning.¹² The ‘EU logic’, placing emphasis on integrated planning, consistent and rigorous management and monitoring, has been accepted by actors across the board. Having thus ‘internalized’ the principles of sound planning and management, the most important players (ministries and regions) have started “speaking the same language”.

That said, the transformative impact of the cohesion network should not be overestimated. First, the Managing Authorities and other special agencies, although retaining some degree of autonomy from the mainstream administration and the political system, are far from immune from political tutelage. Second, the new regional ‘managing authorities’ are not integrated into the regional administration and are not perceived as representatives of regional and local interests. Third, the performance of non-state partners in the monitoring committees of all OPs has clearly been disappointing: only a fraction of the said participants have been able to take an active part in deliberations.¹³ Fourth, despite their participation in programming and monitoring, local government (prefectures and, until the Kallikratis reform, municipalities) has remained a policy consumer rather than a policymaker.¹⁴ Finally, the performance of the more specialized institutions operating under different legal guises (mostly Sociétés Anonymes controlled by the ministries, the regions and/or local government) has been very uneven, local development companies usually being the worst performers (Andreou, 2010).

¹¹The regions were further weakened between 2007 and 2013 because a) they ceased to plan and administer individual OPs and b) their ‘managing authorities’ were officially placed under the leadership of the Ministry of Development.

¹²In the first place, Greece had to comply with the new regulations and show some responsiveness to Commission criticisms; otherwise, the inflow of EU funds would have been jeopardized. On the other hand, the accumulation of experience militated for reform and some degree of adjustment to EU norms. Once the new institutions were established, a dynamic of learning became evident and policy performance gradually improved.

¹³It must be noted, however, that employer organizations are more active and influential than labour unions. This phenomenon could be attributed to the greater financial, institutional and organizational resources that business interests possess, and also to the fact that direct support to business is a significant component of cohesion policy. As a result, employer organizations are important players in the field of state aid.

¹⁴Although they lack the administrative, political, financial and informational resources to shape programmes significantly, they possess enough influence to place themselves on the list of final beneficiaries of a wide range of projects (mainly in the framework of the ROPs). At the same time, they are vulnerable to clientelism and populism; as a result, they often have projects approved though lacking the necessary resources and capacity for management and monitoring.

Figure 1: The Greek cohesion policy network, 2000 – 2006

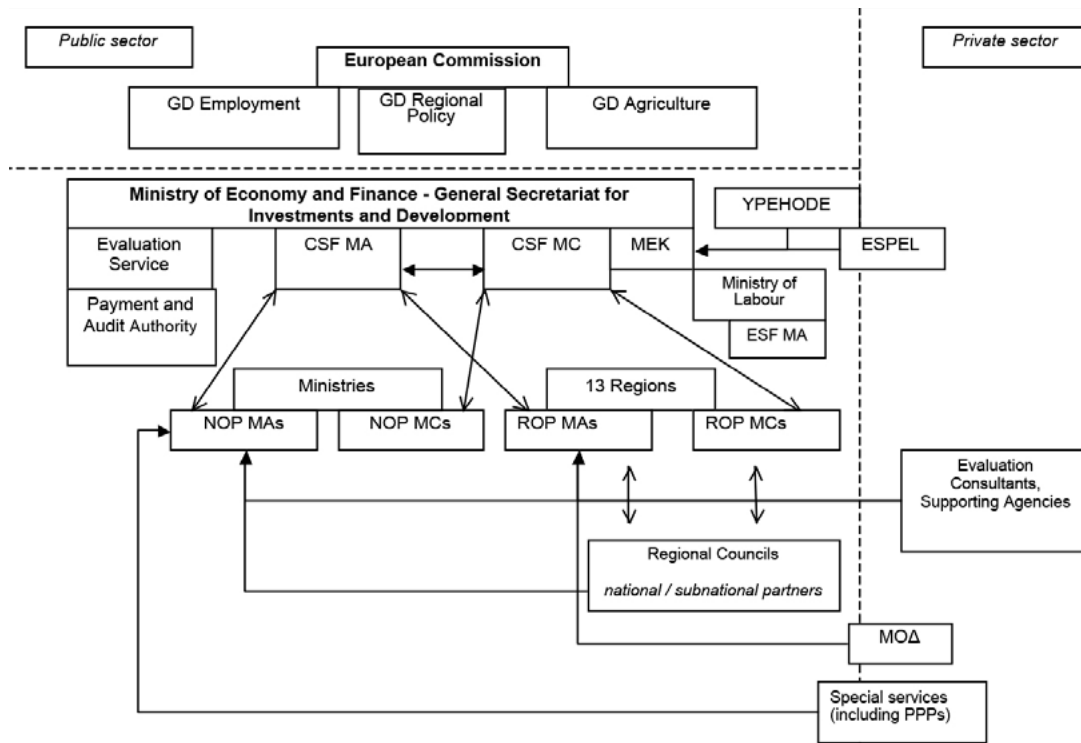
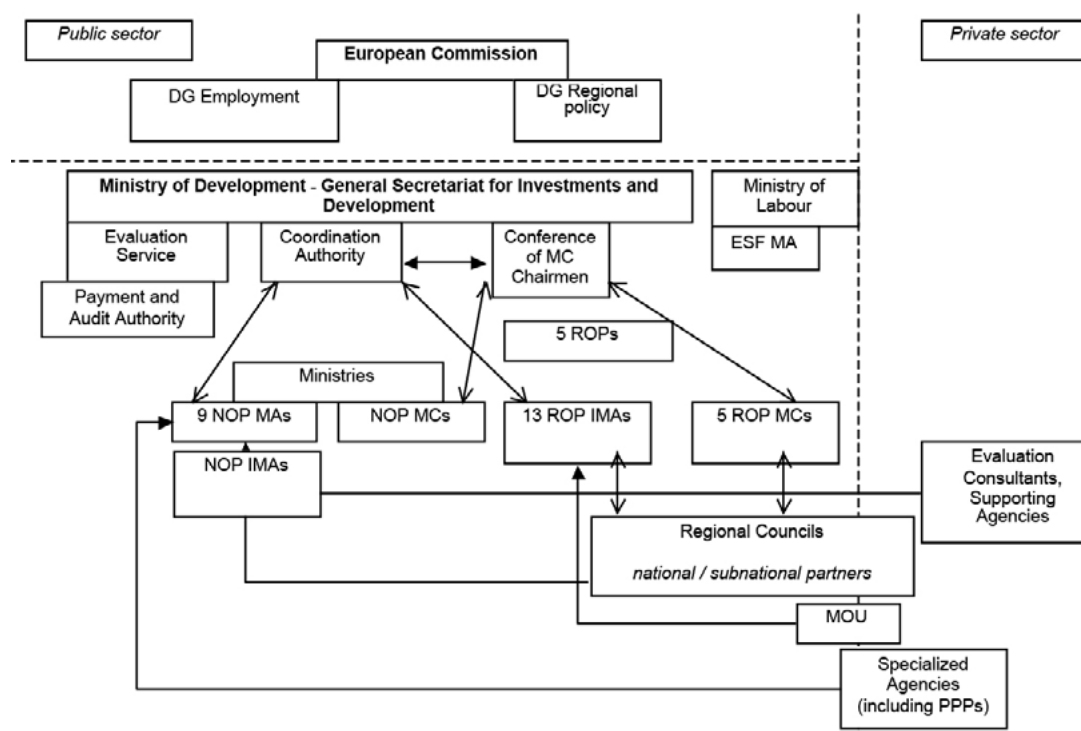


Figure 2: The Greek cohesion policy network, 2007 – 2013



Source: adapted from Andreou and Lykos (2011: 279-80)

- | | | |
|---|--|--|
| Acronyms: | NOPs: National Operational Programmes | MOU: Management Organization Unit |
| NSRF: National Strategic Reference Framework | ROPs: Regional Operational Programmes | IMAs: Intermediate Management Authorities |
| MAs: Managing Authorities | ELKE: Hellenic Centre for Investment | PPPs: Public Private Partnerships |
| MCs: Monitoring Committees | | |

4. Towards a multiple-network approach


The concept of a single cohesion policy network is certainly useful for identifying the main actors of cohesion policy in Greece and discovering the main relationships between them. It is argued here, however, that the 'single-network approach' suffers from limitations arising from the compound nature of structural programming itself and the multiplicity and complexity of the linkages between cohesion policy and a host of other public policies. As a result, this approach is not helpful for defining with accuracy a) network members b) the actual resource dependencies between them, c) the relative influence of participants in shaping policy outcomes and d) the impact of cohesion policy on power relations and ideas.

As has already been demonstrated, there are marked differences between the programming and implementation stages. During programming, the most powerful actors are the national government, i.e. the General Secretariat for Investment and Development and its political superiors, and the European Commission, i.e. DG Regional Policy in cooperation with DG Employment and, occasionally, other DGs (such as Agriculture, Competition and Research). Indeed, the General Secretariat for Investment and Development and DG Regional Policy are, respectively, the representatives and gatekeepers of the supranational and national levels of decision-making. Yet we should also bear in mind that the programming of each individual OP is a distinct policy process that is framed by the national programming process.

At the implementation stage, though, policymaking shifts at the level of each individual OP: in essence, each of these OPs constitutes a distinct policy network, led by the competent Managing Authority and Monitoring Committee and involving a multitude of other actors. It is also noteworthy that, for the National OPs, there are different rules, principles and procedures for the selection and participation of members (for substantive and political reasons); for instance, very different state and non-state actors participate in the policy network of the OP for 'Competitiveness and Entrepreneurship' compared to those participating in the OP for 'Education and Lifelong Learning'. Besides, even in the case of Regional OPs (where there are common selection and participation rules), inter-regional variation must be taken into account. The implementation process of the OPs is framed by common rules and procedures and supervised by specific coordination bodies; on top of that, the programming and managing autonomy of each OP is seriously constrained because of various programming conditionalities whose number has increased in each programming period.

An important dimension of cohesion policy implementation, understood from a governance perspective, concerns the role of beneficiaries. According to the MOU, in 2011 there were 2,925 beneficiaries involved in the implementation of the 2007–2014 NSFR (MOU, 2011). This is obviously a very heterogeneous group, including municipalities, municipal enterprises, regions, ministry agencies, universities, technology-education institutes and public organizations, as well as private companies. It appears, however, that the bigger beneficiaries are public organizations and regions, the only exceptions being the special PPPs set up for the construction of major infrastructure work (Ministry of Development, 211: 13–15). It is thus crucial a) to identify and 'map' the organizations that have taken the lion's share of available funds and b) to explore the relationships between these organizations and the members of the networks formed around each individual OP.

Lastly, research on the governance of cohesion policy has neglected to study the functional and political linkages between cohesion policy itself and the public policies it is supposed to support. From a public-policy perspective, cohesion policy is not an autonomous public policy. In theory at least, the CSFs/ NSRFs/ Partnership Agreements and the OPs under them are instruments serving 'real' public policies that have a specific sectoral and/or territorial dimension. Moreover, since 1999, the EU has been consistently attempting to increase the interdependence between cohesion policy and the said public policies through promotion of the 'strategic dimension' (or 'Lisbonization') of cohesion policy. This tendency is very marked in the new programming period (2014–2020), with the establishment of thematic and horizontal priorities, as well as detailed 'ex-ante' and 'ex-post' conditionalities in the 2013 Regulations of the European Structural and Investment Funds that do indeed represent a willingness to place cohesion policy at the service of the Europe 2020 Strategy (and at the service of the policy priorities and goals it represents). In this line of argument, then, it is at least essential to study the linkages between the cohesion-policy networks and the networks that have been set up for



the implementation of Europe 2020 priorities at the national level.

To sum up, applying a policy-networks approach to the study of cohesion policy in Greece is a very complex and demanding task. The 'single-network approach' that has been applied so far is inadequate for capturing and 'mapping' the complexities and externalities of related policy processes. What is required therefore is a 'multiple-network model'. The starting point would be to construct two distinct 'core networks', one for the programming phase and one for the implementation phase. The next step would be to design one sub-network for each of the National and Regional OPs. In this context, it is essential to single out the main beneficiaries and study their links with network members. Finally, it will be necessary to explore the interactions between each sub-network and the policies placed under 'Europe 2020' and organized around the 11 Thematic Objectives contained in all programming documents.²⁷ This is certainly a very ambitious research design; it is, however, a method that will allow us to discover and categorize the main resource exchanges between participants in cohesion policy in a systematic way. It will be thus possible to conduct a more detailed and substantiated assessment of the contribution of this policy regime to its declared policy goals, as well as to multilevel governance.

5. Conclusion


Cohesion policy has generated an asymmetrical and uncertain process of change in Greece. Following the reforms introduced during the second CSF, the establishment of a semi-autonomous 'parallel administration' in 2000–2001 generated top-down processes of substantive learning and led to the proliferation of new practices and policy improvements. These effects are evident in the realm of management and implementation. This is not, however, the whole story. It has been argued that the overall picture is one of an emerging archipelago of 'islands of Europeanization' within a sea of traditional institutions and practices (Andreou, 2010). The use of a 'single-network model' has indeed made it possible to detect the differential impact of cohesion policy on type I and type II multilevel governance and to expose both the main policy dynamics and their limitations. A more nuanced and detailed approach is, however, necessary to enrich our understanding of the role and impact of the distinct policy networks operating during programming and implementation. First and foremost, a more rigorous application of the policy-networks concept is necessary in order fully to exploit the potential of the Rhodes model by arranging the networks under study along a continuum from issue networks to policy communities. On top of that, combining a macro-level analysis with a meso-level analysis is vital to capture the informal links that must surely develop within and between these networks.²⁸ To follow the geographical metaphor, if we wish to navigate through the archipelago of cohesion policy networks, we need to develop more accurate maps.

²⁷They are as follows: 1) strengthening research, technological development and innovation; 2) enhancing access to, and the use and quality of, ICT; 3) enhancing the competitiveness of SMEs; 4) supporting the shift towards a low-carbon economy; 5) promoting climate-change adaptation, risk prevention and management; 6) preserving and protecting the environment and promoting resource efficiency; 7) promoting sustainable transport and removing bottlenecks in key network infrastructures; 8) promoting sustainable and quality employment and supporting labour mobility; 9) promoting social inclusion, combating poverty and any form of discrimination; 10) investing in education, training and vocational training for skills and lifelong learning; 11) enhancing the institutional capacity of public authorities and stakeholders and efficient public administration.

²⁸The prevalence of agency over structure tends to be a permanent feature of the Greek politico-administrative system (Spanou, 2004).

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Taking Stock of Agent-Principal Challenges in EU structural programmes: The Case of the 'Extended University Programmes' (PSE) in Greece (1997–2006)

Maria Mendrinou and Nikolaos Tzifakis

1. Introduction


The gradual broadening of the EU cohesion's scope in new policy areas has increased the complexity of policy-making at the national level. In this context, the paper seeks to contribute to the enrichment of the analytical tools employed for the study of the implementation of EU structural and cohesion funds. In particular, it aims to improve our understanding of EU cohesion policy through the utilization of the principal-agent model. Our paper focuses on the sub-state part of the EU cohesion policy's contract chain and, more specifically, on a single case study: the 'Extended University Programmes' (Programmata Spoudon Epilogis, PSE), that were organized to support lifelong higher education in Greece. The case selected fulfils a number of aims. First of all, it concerns a policy area that is acknowledged for its domestic salience. Emerging issues in educational policy often display a high degree of controversiality and appear contentious to the general public. Moreover, education policy is governed by multiple stakeholders that constitutionally enjoy wide margins of autonomy and discretion. In addition, it is a policy domain under national responsibility that has been increasingly influenced by policy areas belonging to the central core of EU competences, such as the internal market. Education was introduced into EU cohesion policy objectives at a later stage and has had a legal framework not akin to the predominant policy areas of the EU structural and cohesion funds. Last, but not least, the main difficulties and strains that were experienced in those programmes' implementation were not mainly related to fraudulent or penal behaviour.

The paper is organized in the following way. The first section presents the dominant analytical device, the multi-level governance model, that has been applied so far for the study of EU cohesion policy. The paper sketches out the model's main strengths and deficiencies and argues for a need for its further refinement. The second section elaborates on the principal-agent model and briefly analyses the main findings from its sporadic employment in the study of cohesion policy. The third section turns to the case study suggested to test the utility of the principal-agent model for approaching the main aspects of EU cohesion policy: the 'Extended University Programmes' (PSE) in Greece. The paper concludes with some findings on both the case study per se, and the prospective application of the principal-agent model to the area of EU structural policy.

2. The multilevel governance model

The 1988 reform of EU structural policy triggered a debate in the field of EU studies that culminated in the articulation of the multilevel governance model. The focal points in the debate (led by Gary Marks and Liesbet Hooghe) were the strengthening of the Commission's role in cohesion policy and, more importantly, the introduction of the partnership principle. The latter previewed the establishment of 'close consultations' between the Commission, the member states concerned and the respective competent national, regional or local authorities in those states for the preparation, implementation and assessment of programmes (Council Regulation 2052/88, 12). Gary Marks observed that these reforms raised important questions about 'the distribution of authority and decision-making power across the Community, member states, and regional governments' (1992: 192). In addition, the unmediated interaction between the Commission and the regional institutions was perceived to have increased EU supranational authority over regional policy, thus challenging the monopoly of state-level institutions over intergovernmental relations (Marks, 1992: 221).

The Maastricht Treaty advanced further the scope of these reforms, indicative of which were the founding of the Committee of the Regions, and the multiplication of the channels of direct interaction and influence between EU and regional institutions as well as between sub-state institutions of different EU members (Hooghe and Marks, 1996). In this respect, the reforms to regional policy were portrayed as setting off a 'centrifugal process' in which decision-making authorities devolved from the national level to both EU institutions upwards and regional institutions downwards (Marks, 1993: 402; Hooghe



and Marks, 1996: 91). Thus, Gary Marks observed the emergence of multilevel governance, i.e. 'a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional, and local – as the result of a broad process of institutional creation and decisional reallocation' (1993: 392).

The model's central tenet that concerns the diminution of the role of state-level institutions in cohesion policy has generated some debate. Several analysts have asserted that multilevel governance underestimated the gate-keeping role of member states over cohesion policy, whereas others observed the gradual renationalization of this field of policy over successive programme periods (see inter alia Allen, 2005; Bache, 1999; Pollack, 1995). John Bachtler and Carlos Mendez took the middle ground and claimed that the empowerment of supranational institutions and sub-state actors had not taken place at the expense of state-level institutions, and thus jurisdiction and authority in EU cohesion policy should not be regarded through the prism of a 'zero-sum game' (2007: 557). In other words, as Simona Piattoni put it, the improvement in the policy-making capabilities of EU and sub-state actors would not bring about 'a redefinition of the institutional or even constitutional set-up of the member-states' (2010: 128).

To be fair, the architects of the multilevel governance model soon clarified that they did not deny the preeminent role of state-level institutions in EU politics (see Marks, Hooghe and Blank, 1996: 346; Hooghe and Marks, 2001: 3). They instead argued that central governments have been increasingly sharing decision-making competencies with both supranational and sub-state institutions. They also put forward the idea that different political arenas (i.e. European, national and regional/ local arenas) were so interconnected within the EU that traditional distinctions between domestic and international politics were becoming irrelevant (Marks, Hooghe and Blank, 1996: 346–7; Hooghe and Marks, 2001: 3–4).


Gary Marks and Liesbet Hooghe have indeed aspired to present much more than merely an explanation of the operation of cohesion policy. Through their conceptual framework, they sought to offer an account of EU decision-making (Bache and Flinders, 2004: 2) and an alternative view of EU integration that revolves around the idea of the emergence of a 'multilevel polity' (Hooghe and Marks, 1996: 74). In this regard, the multilevel governance model represented an attempt to offer a breakthrough in the traditional debate of EU studies about intergovernmentalism and supranationalism.

The multilevel governance model contributed to the comprehension of the complexity of decision-making and policy implementation in the field of cohesion policy. It also highlighted the 'spatial distinctions' and 'geographical separations' among a series of interconnected actors, and thus it brought into evidence the dispersion of political authority (Stephenson, 2013: 817, 820). The model's influence has indeed radiated into the world of policy-making as it has been demonstrated by the decision of the Committee of the Regions to set up a series of 'ateliers' on multilevel governance (Committee of the Regions, n.d.; Stephenson, 2013: 822).

Notwithstanding its descriptive strengths, the model also has serious analytical deficiencies and limitations. First of all, owing to its preoccupation with the vertical interaction between public authorities located at different levels of government, the model fails to account for the role and influence of non-governmental actors (Faludi, 2012: 200-204). Furthermore, its underlying 'territorialism' and 'Russian doll' approach to governance denote a neglect of the formation of networks along administrative boundaries (Faludi, 2012: 204-207). More importantly, the model does not bring to light any causality, nor does it have any predictive power (Stephenson, 2013: 818). To the extent that it does not explain the relative leverage of each level of public authority, the model gives the impression that it considers 'involvement' as equivalent to 'governance' (Blom-Hansen, 2005: 628). The next section attempts to apply the principal-agent model to the corpus of knowledge of the multilevel governance model, aiming to remedy many of the aforementioned analytical problems.

3. The principal-agent model

The principal-agent model was developed in the field of organizational economics to analyze intra-firm relations. However, owing to its far-reaching analytical potential, it was soon utilized to explicate all kinds of contractual relations, that is to say, any relationship in which 'one party, the principal, considers entering into a contractual agreement with another, the agent, in the expectation that the agent will



subsequently choose actions that produce outcomes desired by the principal' (Moe, 1984: 756). Typical examples include employer-employee or client-service provider relationships. A principal may resort to the solution of contracting out to an agent for a variety of reasons, such as cost efficiency considerations, lack of necessary expertise and so forth (Kassim and Menon, 2003: 123–124).


The model's main contribution lies in its ability to explain the two most common problems that principals may encounter in this type of relationships. The first is adverse selection: a principal cannot know with certitude the genuine preferences (and capabilities) of candidate agents whose opportunity costs are definitely lower than the compensation offered. The second is moral hazard: a contracted agent may eventually not advance the principal's interests with the utmost efficiency. Both of these problems are related, on the one hand, to the misalignment of interests between the principal and the agent, and, on the other, to the disadvantageous position of the principal vis-à-vis the agent in terms of knowledge and information about the agent's true preferences and actions (the so-called 'information asymmetry').

The model, apart from its ability to diagnose the cause of inefficiencies in contracted actions, is able to prescribe solutions to the adverse selection/moral hazard problems. In a nutshell, principals are prompted to decide carefully with regard to the following considerations: which types of actions/services may be contracted out; how agents are selected; how the contract agreement can shape the agent's incentive structure (and deter agent shirking); and last but not least, how contract monitoring can be efficient (Moe, 1984: 759; Blom-Hansen, 2005: 629).

The model has also gained some currency in the study of relationships that do not have a purely economic transactional component per se. For instance, Terry Moe observed the formation of a chain of principal-agent relationships in democracies, starting from the citizens, the ultimate principals, going next to elected politicians, who have the dual role of being simultaneously the people's agents and the principals of state bureaucracy, and so forth all the way down to the agents delivering services directly to the citizens (1984: 761–766). Similarly, in the field of development studies, several analysts have remarked on the existence of a long chain of principals and agents commencing from the taxpayers in donor countries and ending with the beneficiaries in aid-recipient countries (Bartlett, 2013: 334; Araral, 2009: 854–856). Interestingly, neither principals nor agents are necessarily single unitary actors. For instance, interest groups and state agencies may compete with elected politicians to exert influence on the work of bureaucracy (Waterman and Meier, 1998: 179). And different agents within state agencies may compete at the stage of policy implementation (Waterman and Meier, 1998: 181). Therefore, the longer and more complicated the chain of principals and agents, the greater will be the possibility that interests might be misaligned at some intermediate points of principal-agent interaction, rendering highly improbable the efficient accomplishment of the ultimate principals' original objective(s) (Bartlett, 2013: 346).

The principal-agent model represents a valuable addition to the multilevel governance model. It builds on the latter's main premise about the fragmentation of decision-making and policy implementation across different levels, while it simultaneously moves forward the debate to explicate the distribution of power and configuration of interests among all the actors involved. Moreover, the principal-agent model adds flexibility to the multilevel governance analytical framework by generating the space necessary for the study of the role in policy making of multiple non-governmental actors ranging from private corporations and pressure groups to individuals. As a result, the principal-agent model is appropriate to analyze complex inter-institutional arrangements and exchanges, such as those pertaining to the operation of the European Union (Kassim and Menon, 2003: 125).

Over recent years, one might have noticed a steady growth in the EU studies literature that has employed the principal-agent model to account for the operation of different European organs, such as the European Commission (Pollack, 1997), the European Central Bank (Elgie, 2002), the European Environment Agency (Zito, 2009) and the European External Action Service (Henökl, 2014). The model has also been applied to the study of different EU policy areas, such as foreign economic policy (Dür and Elsig, 2011), employment policy (de la Porte, 2011), foreign development assistance (Bartlett, 2013) and migration policy (Menz, 2014). Nonetheless, the principal-agent model has not dominated analyses of EU cohesion policy where the crux of the matter is the study of contractual relations. Strangely, there are very few theoretical or empirical applications from a principal-agent perspective. Yet, most of these studies have yielded some very interesting findings.



In particular, Jens Blom-Hansen (2005) used the model to investigate the European Commission's ability to control member states in the field of EU cohesion policy. The analyst demonstrated that the Commission cannot remedy the adverse selection problem since member states are by definition its agents (Blom-Hansen, 2005: 630). Furthermore, the Commission does not have sufficient powers to prevent the appearance of the moral hazard problem either. Under EU cohesion policy, member states have a very broad mandate consisting of non-binding and hard to verify principles, such as additionality and innovation (Blom-Hansen, 2005: 631-633). More importantly, whereas the EU has set up several monitoring mechanisms (such as national monitoring committees, ex-ante, mid-term and ex-post evaluations and reports, and investigations by the European Court of Auditors), the European Commission is in a weak position to sanction non-criminal agent drift (Blom-Hansen, 2005: 634-637). Likewise, Michael Bauer has highlighted the dual role of the Commission in the area of cohesion policy, being simultaneously the agent of the Council, the European Court of Auditors and the European Parliament, and also the principal/supervisor of member-state policy implementation (2006: 723-731).

The study by John Bachtler and Martin Ferry (2013) assessed the impact of the quantitative conditionalities that were introduced in the 2000-2006 and 2007-2013 programming periods with the aim of improving member-state compliance with cohesion policy goals. The two analysts found that the Commission's attempt to mould the incentive structure of member states had had mixed results. EU members had complied very well with the 'decommitment rule' (preventing that payments for projects should be completed within two years of the year of commitment), and thus the absorption of structural funds improved spectacularly (Bachtler and Ferry, 2013: 5-7). However, many EU countries have applied the 'performance reserve', which stipulates the reallocation of funds within member states from underperforming programmes to the most successful ones, inconsistently. Moreover, some EU members have managed to add flexibility to the implementation of the 'earmarking principle' introduced in the 2007-2013 period with the intention of increasing the share of funds directed to the stimulation of growth and employment (Bachtler and Ferry, 2013: 7-11). John Bachtler and Martin Ferry explicated the variations in the degree of compliance of member states with these conditionalities by making reference to the distribution of interests among EU institutions and member states (2013: 12-13).

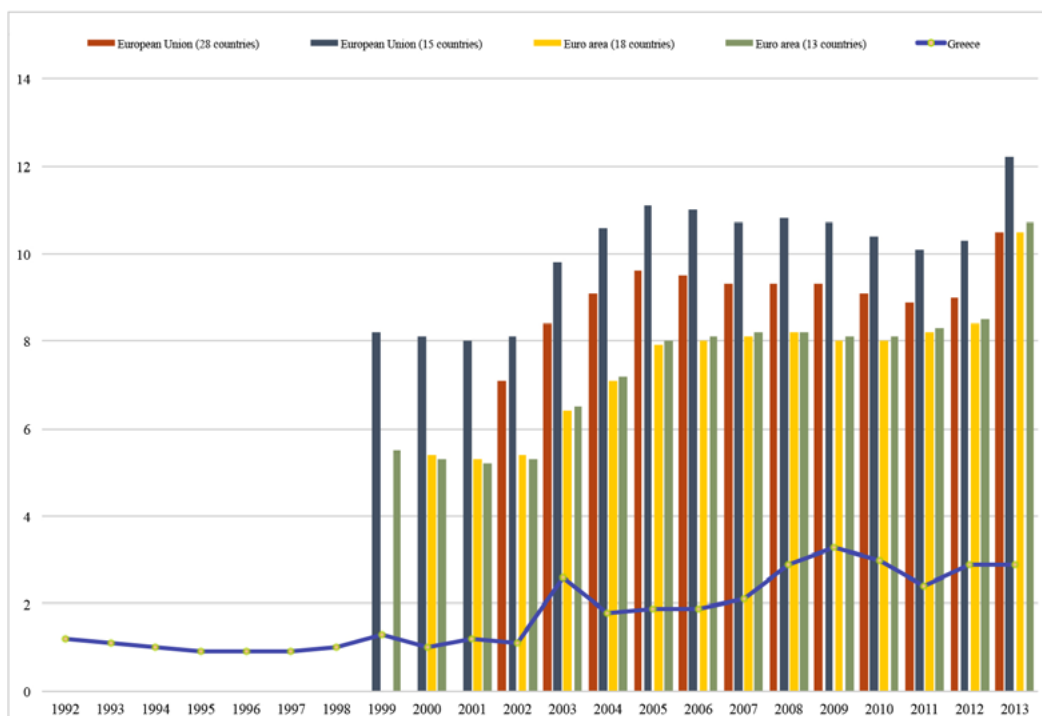
What most studies of EU cohesion policy from a principal-agent perspective have in common is an almost exclusive preoccupation with the interaction between the Commission and member states. Strangely, it seems that there is very little research interest in other parts on the EU cohesion policy contract chain. A notable exception is the study by Károly Mike and Gábor Balás (2014) that examined how states, as principals, select their agents to implement EU-funded programmes. The two authors argue that the choice is usually between establishing new single-purpose managing authorities (and intermediate bodies) at different levels and parts of their national/regional bureaucracies on the one hand, and relying on existing organizations within their national/regional administration, on the other. Whereas the former choice reflects a preoccupation with compliance with EU rules and financial absorption, the latter might signify a concern with policy efficiency (Mike and Balás, 2014: 25-27). This is because good performance in terms of meeting measurable short-term indicators in EU-funded programmes does not necessarily imply an incremental genuine advancement in (frequently hard-to-quantify) medium-term national policy objectives (Mike and Balás, 2014: 17-23). To be sure, states have usually adopted 'hybrid' solutions that combine elements from both of the aforementioned 'ideal types' of solutions. Still, their overall inclination towards either end of the continuum (i.e. new single-purpose structures and existing agencies) seems to indicate a hierarchical prioritization between the objectives of financial absorption and policy efficiency (Mike and Balás, 2014: 25-27). The tension between these objectives is further noticed in the way states designate contracts, or more precisely, whether they rely on ordinarily-used procurement/contracting solutions or opt for an overt projectification of EU-funded programmes (Mike and Balás, 2014: 28-30). Therefore, several decisions by states as principals for the national implementation of EU cohesion policy are telling of the extent to which EU goals and assessment indicators are aligned well to national priorities and procedures.

Having briefly discussed the principal-agent model and some findings from its application in EU cohesion policy, the next section turns to our case study, the 'Extended University Programmes' (PSE) in Greece. It presents the content of these programmes and it accounts for some of the hurdles in their implementation. By bringing to the surface divergent sub-national interests with respect to those programmes' operation, we attempt to make a contribution to the comprehension of additional aspects of the EU cohesion policy contract chain.

4. The 'Extended University Programmes' in Greece

In the Second Community Support Framework (CSF, 1994–99), the Greek government introduced a programme called the 'Operational Programme for Education and Early Vocational Training'.¹ The Greek government took advantage of the expanding scope of EU Structural and Cohesion Funds to other policy fields (Council Regulations 2083/93 and 2084/93) to advance aspects of Greek educational policy that lagged behind in a number of areas, such as research, graduate studies and lifelong learning. The decision was consistent not only with developments in EU structural and cohesion policy, but also with the general EU directions that prompted the advancement of cooperation in the policy area of education.² By enhancing the scope of the cohesion programmes to include policy fields like that of higher education, it was anticipated that new structures and services would be developed, while those already in place would be reformed to encompass the new needs. More importantly, Greece was a latecomer to and an underachiever in the targets set for widening the access to lifelong learning compared to the EU as a whole (Figure 1). The situation has been much more pronounced in the case of tertiary education (Figure 2), in part as a result of the General Entry Examination system applied, and in part due to the relatively early, yet binding choice, that young people have to make regarding their prospective field of studies.

Figure 1: The Greek case on the participation rate in education and training (last four weeks) for the age group 25-64 (in percentage) in comparative perspective.

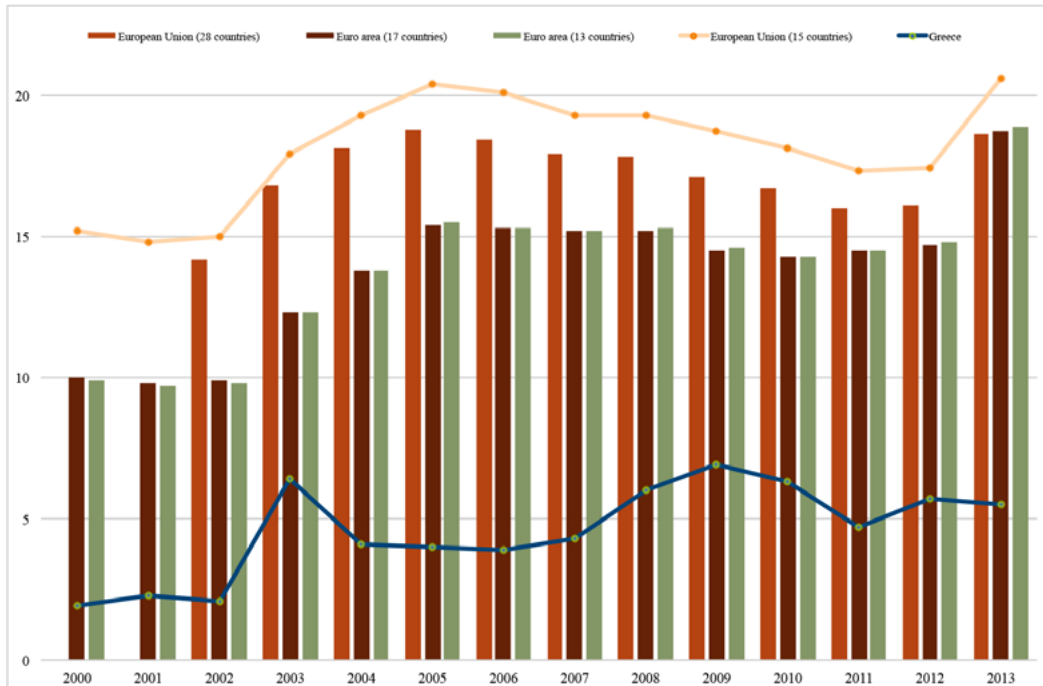


Source: Compiled from the Eurostat.

¹For the Structural and Cohesion Funds of the period 1994–1999, Greece was identified as an Objective 1 case since economic development in the country was lagging well behind the EU average. The total allocations for Greece were 13,980 million ECUs at 1994 prices, of which around 9% was earmarked for Community initiatives (see European Commission, 1996).

²The Treaty of Maastricht for the first time explicitly introduced a widening of the cooperation options among EU member states, involving also the area of education (see Arts. 3p and 126, TEC). It was a pivotal development that paved the way for the introduction of new modes of EU governance such as the 'Open Method of Coordination' (OMC). It should be noted that from the 1990s onwards, the developments between European countries that set in motion the formation of the European Higher Education Area (EHEA) by 2010 had been considerable. From then on, the 'complementary', according to the Lisbon Treaty (Art. 6, TFEU), policy areas in the EU kept evolving. Ruled by soft law and targets set by member states, coordination under the mode of the OMC has since contributed to advancing EU cooperation in policy areas well beyond those of the Treaties' core.

Figure 2: The Greek case on the participation rate in tertiary education and training for the age group 25-64 (in percentage) in comparative perspective.



Source: Compiled from the Eurostat.

It was in this context that the 'Extended University Programmes' were introduced in 1997 (Law 2525/1997 and Ministerial Decision 6495/1997). The programmes were organized by Greek universities and technological educational institutes³ through a process of competitive bidding for funding from the European Regional Fund (ERDF) and the European Social Fund (ESF) that was administered by the Greek Ministry of Education. The approval for programmes was conditional on both their compatibility with the aims set by the government and on their long-term feasibility and sustainability. The programmes' main aim was the establishment of a structure for lifelong learning in higher education that would, in a way, supplement the Hellenic Open University for Distance Advanced Learning, founded in 1992.

The programmes offered higher and continued education in the context of lifelong learning to all qualified graduates of secondary education in new and interdisciplinary fields. The enrolled students could either get a higher education degree upon successful completion of the full academic curriculum (whose duration exceeded the four-year cycle of regular university degree programmes) or receive a certificate of attendance for selected courses. Enrolment was competitive and based on criteria set by law and the number of places available. Although the enrolment process was different from that for the General Entry Examinations, it took into consideration the applicants' performance in exams in all cases, except for two categories. The first concerned those who were already holders of a university degree, and second was the case of those who had not taken exams but had a certified secondary degree; in total these two categories accounted for 20 per cent of the available places. The legal framework was particularly thorough regarding eligibility criteria and categories (Art. 4, para. 5, Ministerial Decision 6495/1997) and was further explicated by the legal framework of each individual programme (see inter alia Art. 2 para. 9, Ministerial Decision B1/580/1998).

³ In Greece, higher education is public and provided by the universities and technological educational institutes. Although there is no provision for private tertiary education, since the late 1980s, a number of private providers under a franchising arrangement with universities abroad (mainly British and American) have been active in Greece offering tertiary education. They have been covered by the 'freedom to provide services' and are supervised by the Ministry of Commerce rather than that of Education.

Table 1: Criteria and quotas by category for enrollment in the Programs according to Ministerial Decision 6495/1997

Categories of Enrolment	Secondary Education – Entry Examination	Students in Universities Abroad	Students in Greek Higher Education	University Graduates	Others – Secondary Education – No Entry Examination
Categories	I	II	III	IV	V
Quotas	45%	20%	15%	10%	10%
General Grade in Secondary Education	✓	✓	✓		✓
Average Grade in General Entry Examinations	✓	✓	✓		
Years of Unemployment	✓			✓	✓
Years of Employment	✓			✓	✓
Years of Post-secondary Education	✓				✓
Number of Courses Completed in Higher Education		✓	✓		
Average Grade in Higher Education			✓		
Grade in Higher Education				✓	

Shortly afterwards, the legal framework of the PSE was contested in court (Council of State) and found to be unconstitutional in several respects. In a nutshell, it was considered to violate the principle of equality as admission to a PSE was not linked to successful participation in the General Entry Exams; it erroneously put universities and technological educational institutes on an equal footing; and it was established by a ministerial decision instead of a presidential decree (see Panaretos, 1999 for a brief discussion of the Council of State’s Decision 2820/1999). Furthermore, many opponents and critics of the programmes argued that the introduction of tuition fees for all students aged over 25 years represented an additional violation of the constitutional provision for free-of-charge higher education. Following the court’s (Council of State) ruling, the Ministry of Education enacted a new law in parliament that strove to remedy most of the problems (Law 2752/1999). For instance, the programmes’ reformed legal framework emphasized that their objective was to provide lifelong learning education (as opposed to conventional education), and thus it stipulated that the PSE should prioritize the admission of students aged over 23 years (Art. 1, para. 9). The Council of State ruled that the new law attempted to annul the court’s previous decision and pronounced the programmes’ new legal framework unconstitutional too (Decision 2581/2000; see also Contiades, 2001). As a result, the PSEs suspended the enrolment of new students and continued their operation only with respect to students already registered so that the latter could complete their studies. In mid-2005, the Ministry of Education announced the termination of the PSE at the end of the academic year 2005/6 (Art. 11, para. 2, Law 3369/2005).

Following the court’s second ruling, the Ministry of Education addressed the demand for lifelong learning by directing its efforts towards distance-learning providers that were quite different from the conventional higher education programmes. In particular, the Hellenic Open University is in the mainstream in Greek higher education for those aged over 25 years who wish to enrol for a university degree, whereas the Centres for Continued Education and Training, that were developed in the context of the Second ‘Operational Programme for Education and Early Vocational Training’ (2000–2006), offer a great variety of e-learning programmes. Furthermore, in 2005, the Ministry of Education offered the

universities and technological educational institutes the possibility of creating an additional structure, i.e. Institutes of Lifelong Learning (Art. 9, Law 3369/2005). Thus, the demand for studies in extended university programmes has been channelled into other competing structures similarly funded by the ERDF, the ESF and Greek national resources in accordance with the CSF's rules.

It is certain that the decision of the Greek government to promote lifelong learning as part of its educational policy was reasonable and in agreement with the aims of EU cohesion policy. Indicative is the number of applications received by the PSE of the University of Athens that was organized by four university departments and the National School of Public Administration. The programme in its first offer of 250 places received 4,060 applications. The demand⁴ came mainly from graduates of secondary education, yet a considerable number of those wished to enrol for a second university degree (Table 2).

Table 2: Number of applications by call for the PSE organized in the National and Kapodistrian University of Athens and rate of enrollment by category of beneficiaries

		1998	1999	2000
No of Applications	Quota	4060	3202	3022
Secondary Education – Entry Examination	45%	1:19,48	1:13,25	1:10,99
Students in Universities Abroad	20%	1:1,24	1:1,00	1:7,50
Students in Greek Higher Education	15%	1:2,47	1:1,58	1:10,82
University Graduates	10%	1:23,15	1:19,48	1:11,04
Others – Secondary Education – No Entry Examination	10%	1:40,04	1:33,86	1:11,13
Total	100%	1:15,92	1:12,46	1:10,99

Source: The PSE on Human Resource Management and Administration, University of Athens, Evaluation Report, 1998-2000, unpublished report.

Table 3: Number of PSE organized, number of participating Departments, and distribution of Programs between Universities and Technological Educational Institutes

Area of Study	No of PSE	No of Universities (HEI)	No of Technological Institutes (TEI)	No of Departments
Humanities	7	13 (2 from abroad)		14 & 1 group of academics
Sciences	4	5		6
Economics - Administration	6 (2 HEI & 4 TEI)	2 (NSPA)	5 (1 from abroad)	14
Technology	9 (2 HEI & 7 TEI)	2	7	18 & 3 groups of academics
Environment	6 (3 HEI & 3 TEI)	7 (4 from abroad)	5	16 & 1 group of academics
TOTAL	32 (18 HEI & 14 TEI)	29 (6 from abroad)	17 (1 from abroad)	68 & 5 groups of academics

⁴It is estimated that around 75 per cent of the applications received by the University of Athens are in categories I and V, see Table 1.

There was similar demand for other PSE. As Table 3 shows, 32 programmes were established, 18 in universities and 14 in technological educational institutes. Most of the programmes were interdisciplinary and tended to involve several partners, such as academic departments (within universities and technological institutes, or involving various higher education institutions in Greece and abroad), other organizations and groups of teaching staff. In all cases, the studies offered by the programmes had to be innovative and not on offer by other higher education institutions in Greece. There was also a considerable regional distribution of the programmes to cover almost all Greek regions (see Table 4). In the first year of their operation (1998), more than 3,500 students were enrolled, while the number of interested applicants was considerably higher. Nevertheless, as already mentioned, the programmes failed to take root as new structures in Greek higher education and managed to complete their task solely in relation to students (end beneficiaries) who successfully completed their studies and graduated up until 2006.⁵

Table 4: Regional Distribution of the PSE

No of Programs	City in which the Program was located	Regions
3	Athens	Attica
3	Piraeus	
7	Thessaloniki	Central Macedonia
3	Chania	Crete
4	Heraklion	
3	Ioannina	Epirus
3	Volos	Thessaly
1	Mytilene	North Aegean
1	Patras	Western Greece
1	Kavala	East Macedonia & Thrace
2	Kozani	West Macedonia
1	Kalamata	Peloponnese
32	12	10 of 13

The principal-agent model appears to be particularly valuable in explicating the initial success and rapid demise of the PSE in the context of EU structural and cohesion funds in Greece.

The Ministry of Education, the main principal at the national level, apart from participating (along with EU authorities) in the shaping of the relevant legal framework, delegated the implementation of the programmes to the main national agents eligible to do so, the universities and technical education institutes. Although the introduction of a new programme in Greek higher education appeared to be a straightforward undertaking particularly since, in the Greek case, the choice of main agents was actually restricted to public higher education institutions, the ensuing complexities of implementing these EU cohesion programmes were uncompromising, leading just a few years after their introduction to their suspension.

However, the 'moral hazard' and 'adverse selection' concerns remain valid in the case under examination since the establishment of a PSE was decided by a competitive process of open calls. The 32 programmes approved were just a portion of the tenders submitted by the various universities and technological institutes. Whereas the overwhelming majority of the PSE ran smoothly, the most serious troubles emerged in just one higher education institution, the Polytechnic of Crete, where faculty members and students on conventional programmes were mobilized against the establishment of three programmes and twice made recourse to the Council of State (Rouggeri, 1998). Interestingly, it was also at the

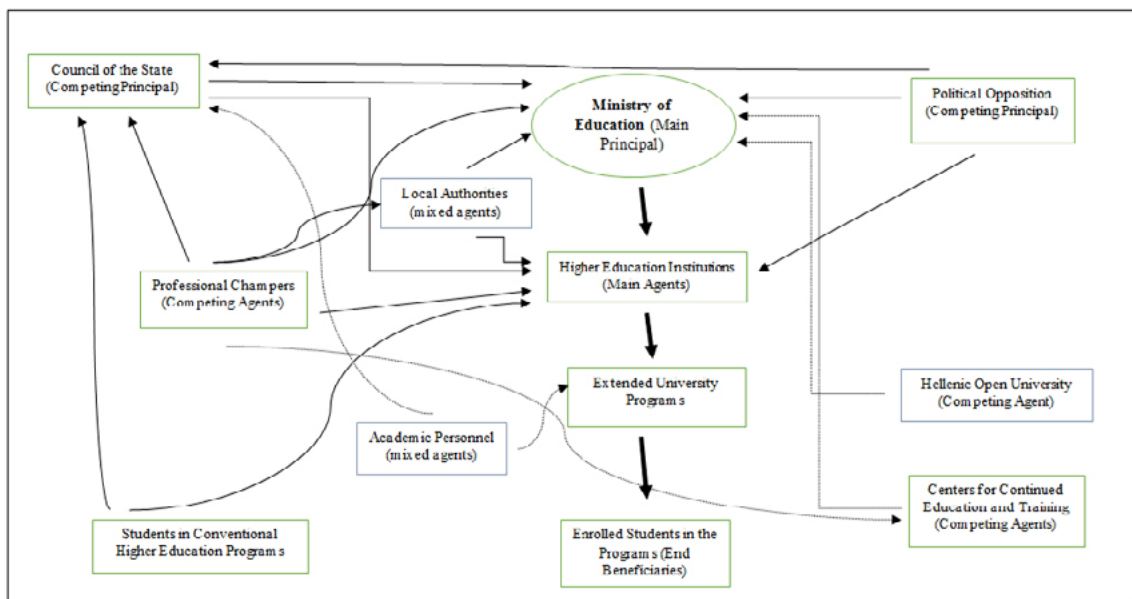
⁵The abrupt decision by the Ministry of Education in 2005 to terminate the programmes by the end of the next academic year implied that, for a very small number of courses, a group of students did not receive their degrees having failed to be successfully examined (in some cases they had even submitted their final dissertations) (EEO Group, 2009: 185).

Polytechnic of Crete that the university authorities were accused and found guilty of having been involved in very serious irregularities (Rouggeri, 1998; Kathimerini, 2004). Hence, the question of the operation of the three PSE at the Polytechnic of Crete put to the test the main concerns that have been advanced by the principal-agent model.

Moreover, the employment of the principal-agent model in the case of the PSE brings to the surface the existence of contradictory dynamics: one linked to the constitutionally-guaranteed autonomy and discretion that Greek higher education institutions enjoy, and another related to the 'vertical integration' (see inter alia Klein et al. 1978; Arrow 1975; Grossman and Hart 1986; Eisenhardt 1989) in the principal-agent relationship that binds the agent to compliance with the principal's terms in a hierarchical manner. It was indeed this aspect that contributed crucially to the failure of the programmes since any miscalculation by the principal impacted critically on the agent's compliance (e.g. the enrolment of students under 23 years old).


The complexity and, in a way, the novelty that the case of the PSE adds to the application of the principal-agent model in EU cohesion policy is related to the identification of a long array of agents, notably some 'mixed' (consisting of both beneficiaries/supporters and opponents), alongside competing agents. The struggle between beneficiaries and opponents, as the case of the PSE displays, shows that it may have a devastating impact on implementing the prospects for an EU structural/cohesion programme. Figure 3 offers a schematic graphical representation of the principal-agent model for the case of the PSE.

Figure 3: Graphical representation from the Principal-Agent perspective of the case of the PSE



The ministry in its initial choice in shaping the programmes faced two 'competing principals': the political opposition that criticized aspects of the programmes' legal framework and the Council of State⁶ that had the responsibility to review conformity with the constitution of administrative actions. Although part of the political opposition (the Communist Party of Greece, KKE) was particularly keen to bring to an end the programmes, even after their adoption by Parliament (see for instance Rizospastis, 1999b), this was eventually achieved through court rulings, following actions brought by opponents of the programmes. As a result, the government decided to adjust the main implementing agents, either by boosting the role of already existing competing agents, such as the Hellenic Open University, or by forming new ones, such as the Centres for Continued Education and Training. The latter incorporated both the main implementing agents of the programmes, higher education institutions, and on demand and according to expertise, other actors such as professional chambers.

⁶For a consideration of courts as competing principals, see Waterman, Wright and Rouse (1994), quoted in Waterman and Meier, 1998: 179.



While the PSE responded to an actual need for higher education lifelong learning, they also caused some concern to several agents and groups of actors. First of all, many students on conventional university programmes perceived the PSE as a threat and an injustice that jeopardized their career prospects and discredited their successful performance in the demanding and rather tedious process of the General Entry Examinations. Likewise, some professional chambers (e.g. the Chamber of Fine Arts of Greece) expressed their opposition to the programmes out of concern for the career opportunities of their members (Rouggeri, 1998; Rizospastis 1998 and 1999a).

From the case study we also discern a number of 'mixed' agents that contributed in a critical manner to the 'disjointed' implementation of the PSE. The two most prominent 'mixed agents' were the following: local authorities and societies, and academic personnel/faculty members.


The local authorities and societies constituted such a type of agent, since along with opposing approaches, they more often than not tended to support the decentralization of higher education in Greece. The regional distribution of the programmes (see Table 4) prompted a diverse stance on the matter that often triggered internal disputes in local societies. To illustrate, whereas the City Council of Chania pronounced its unanimous support for the continued operation of the three programmes at the Polytechnic of Crete (Rizospastis, 1999b), the Chania Bar Association sued the university's authorities in court, accusing them of being involved in several irregularities when setting up these programmes (Moulopoulos, 1998).

The academic personnel/faculty members were the other 'mixed agent' that the case study discerned. Teaching and supervision of the programmes were exclusively undertaken by academic personnel, either already employed by the university or having similar academic qualifications. The case of this 'mixed' agent was particularly complicated since faculty members are also involved in the administration of Greek higher education institutions. The decision to organize a PSE presupposed approval by the university organs in which the faculty members participated by law. At the same time, a considerable number of faculty members viewed the programmes: as structures competing with conventional departments; as a potential threat to the public character of higher education in Greece since the programs provided for fees for those over 25 years of age; and as a mean to increase the flexibility of university structures. A peculiarity and complexity of this 'mixed' agent was that, contrary to the external challenge of other adversaries, in this case controversy was internalized by the main agents, too. Thus, controversy regarding the programmes escalated the tension around their implementation within the everyday functioning of higher education institutions (Rouggeri, 1998).

5. Concluding remarks

This paper has tested the hypothesis of the analytical quality of the principal-agent model for investigating the complexities of the implementation of EU cohesion policy programmes at the national level. It has used as case study the PSE in Greece and demonstrated the model's analytical utility for empirical investigations of the sub-state part of the chain of policy-making actors. The paper argues that the actual failure of the PSE (and consequently of EU cohesion policy) to form a structure of lifelong learning in Greek higher education was not causally linked to any fraudulent or penal behaviour. It was instead the result of multiple misalignments of objectives of actors located at different parts of the contract chain, all the way down from the Commission to the final agents on the ground. In this respect, the case study presents the interplay among the main actors and stakeholders who stood in favour or in opposition to the operation of the PSE and elaborates some types of conflicts of interest that obstructed policy implementation.

The paper also remarks that, on occasion, the 'moral hazard' concern in the principal-agent model may be reversed, as well. In particular, as the investigation of the PSE shows, it was the poor design of programmes, with several unconstitutional provisions (e.g. principle of equal access to higher education) and the neglect of beneficiaries, that seriously compromised the effectiveness of EU cohesion funds. Notwithstanding that their legal framework has been challenged since 2000, the PSE kept running (without, though, new student enrolments) until 2006. Eventually, of the 6,000 students who enrolled on the PSE, many did not receive a degree as they failed to complete their studies in timely fashion, while the qualifications of some categories of graduates have yet to be certified (EEO Group, 2009: 185, 193 and 194).



The fact that the closure of the programmes coincided with the end of the third CSF (2000–2006) leads us to the assumption that the Ministry of Education prioritized quantifiable results within the CSF's timeframe (absorption of funds) rather than a genuine widening of access to higher education (policy efficiency). Indeed, Greece managed to absorb 94 per cent of the cohesion funds for lifelong learning of the Second 'Operational Program for Education and Early Vocational Training' up until the end of 2008 (EEO Group, 2009: 172). However, as illustrated in Figures 1 and 2, Greece has not succeeded equally in improving the participation rate of its people aged 25–64 years old in training and education.

To conclude, our case study demonstrates that the potential of the principal-agent model to explicate the complexity of EU cohesion policy has been underexplored thus far.

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The application of the principle of partnership in Greece: has it affected traditional governance practices and the power balance?

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Greece is currently going through a serious crisis and is attempting to address the problem through a series of painful measures. In fact, this is a reform process directly imposed by the country's lenders. It is not the first time that the Greek state has tried to change. Reforming attempts instigated from outside have taken place in the past mainly as a result of EU membership. However, they were not of the same extent and nature and some would argue that they were not so vigorously imposed, although, as shown below, external dynamic action was taken in the past owing to domestic resistance to apply EU rules.

This paper discusses the response of the Greek administrative system to the requirements of the 1988 and 1993 revisions to the structural-funds regulations, and the extent to which the related rules induced changes in traditional policymaking. More specifically, it focuses on the application of the principle of partnership by asking questions such as:

- How has the application of partnership changed the relationship between the various levels of government?
- How have traditional patterns of command over resources impacted on the application of the principle, i.e. how has the negotiating power of the partners been affected by the lack of resources?
- To what extent has the weakness of civil society in Greece impinged upon the letter and substance of the principle?


The study investigates Community Support Frameworks (CSFs) One and Two covering a period of ten years (1989–1999), focusing on the regional section of the CSFs. Research was carried out between 1997 and 2001 via a large number of interviews with administrative and political actors, at sub-national, national and EU levels, who provided valuable information based on their personal experience of involvement in the formulation and application of the two CSFs. With one or two exceptions, interviewees had been involved in the above process for many years, most of them during both programming periods, and they were still serving in the same or related positions at the time they were interviewed, which meant they had very accurate knowledge of and deep insight into developments.

In addition, attendance to meetings of the bodies involved in the implementation and monitoring of programmes has been possible, while official documents have added valuable information.

The principle of partnership: a guiding principle

The so-called 'institutionalisation of consultation practices', i.e. the introduction of the principle of partnership, is probably considered to be the most valuable innovation in the application of funds (European Commission, 1995a). The notion appeared in Community documents concerning regional policy in the early 1980s (European Commission, 1981, Art. 2, title 3(a)). It was introduced with the reform of Structural Funds in 1988. Following reports on implementation of the reform which indicated a rather unsatisfactory application of partnership (European Commission, 1991: 8; 1992: 35; 1993: 80), the 1993 reform further strengthened the principle by providing for the inclusion of social and economic partners, but leaving their designation to the discretion of Member States. (European Commission, 1995a: 140). This means that, at least officially, the Community was not interfering with Member States' internal structures and practices, therefore the margins left for institutional change induced by application of the principle of partnership were limited, and its quality depended on domestic administrative traditions and practices.

Furthermore, it was stipulated that 'partnership will be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners' (European Commission, 1995: 140). This has proven to be a powerful factor in the application of the principle. It directly relates to the issue of command over resources which determines the negotiating power of each partner, and it is to be seen against the background of the potentially changing dynamics between Community institutions and national authorities, but also and principally between national authorities, sub-national entities and other partners. As shown below in the case of Greece, the 'respective powers' of the partners have seriously influenced the application of the principle. Research has revealed that the lack of resources of local, regional and social partners has impinged upon both the letter and substance of the principle.



Consequently, the weakness of local government entities in Greece is a reason why the latter have been unable to assume successfully the role assigned to them by the new operational tools, in the context of partnerships.

The reason why partnership has been gradually strengthened to the point of penetrating almost every stage of the management of funds should be sought within the dilemma of how to better utilise the increasingly limited resources available for economic growth. Efficiency has thus become an imperative and a principle in its own right, although not mentioned among the governing principles of Structural Funds Regulations. Against this background, broad partnerships are expected to bring together information and expertise from different levels and bodies, governmental and nongovernmental, public and third sector, with a view to combining and joining efforts towards better results from the operation of Structural Funds.¹

Moreover, partnership is directly linked to the issue of the decentralisation of powers, as the most obvious rule involving the participation of regional, local, social and economic partners aiming at the establishment of multi-level governance (MLG) (Bache, 2008; Bauer, 2002; Hooghe and Marks, 2001). A typical instance of this is the Monitoring Committees (MC) which are thought of as a par excellence expression of partnership. Their tasks include programme management and ensuring transparency, information diffusion and development of the debate. But again, as the case of Greece indicates, decisions were usually reached outside the Monitoring Committees, which tended to meet in order to endorse officially what had already been decided upon.


As correctly put by Hooghe and Marks (2001), the effectiveness of partnership proved rather poor in the southern regions, owing to 'incompetent or under-resourced local administration and clientelism' (Hooghe and Marks 2001: 114). Indeed, this has been the case for Greece, as shown below.

Domestic institutional settings on the eve of the first Community Support Framework (CSF) for Greece

Clientelism and centralisation have always been key features of the Greek political system. These elements are so deeply embedded in the culture, and have been so well consolidated over the years, that despite the repeated efforts at reform they have persisted throughout modern Greek history. Overall, the regional-policy process on the eve of application of the 1st CSF for Greece was as follows:

- An over-centralised administrative system, with most decision-making occurring at the central level. The Prefecture, as a decentralised State entity, was headed by the Prefect who was a political appointee responsible for the application of government policies and directly answerable to the Minister of the Interior. The Prefecture's status remained untouched, even after the introduction of the Regions which were organisationally and financially very weak and functioned mainly to lodge the Secretariats of the Monitoring Committees (MCs) of the Integrated Mediterranean Projects (IMPs). It was only in 1995, during the 2nd CSF, that the Prefectures lost their predominance in regional development programmes to the Regions, a development connected to the introduction of the 2nd degree of self-government at the level of the Prefectures, which meant that elected Prefects would not necessarily be affiliated to the governing party and therefore the central government would lose control over resource distribution. In contrast, the Secretary General of each Region remained a political appointee of the Minister of the Interior, and as such answerable to central government.
- Weak local self-government which, despite its prestige from the popular mandate as being directly elected by the people, was financially over-dependent on State allowances and subject to legality, and in certain cases expediency control by the Prefect. Moreover, the extremely large number of local self-government organisations (LSGOs), and the small size of most of them, made any serious planning difficult if not impossible. Public works (PW) production, having a central position in regional policies in Greece, remained unchanged after the application of the IMPs. Regional development programmes were characterised by the overwhelming presence of basic infrastructure small-scale works, lack of an integrated programming logic, fragmentation, improvisation and a rudimentary approach, the absence of technical and environmental studies and an evaluation culture. They were underlined by

¹An example of the importance attributed to the function of partnership in achieving social and economic cohesion is the emphasis placed by the Commission in its White Paper on European Social Policy, on broader partnerships including NGOs, on trade unions and on other social and economic partners (European Commission, 1994).



a re-distributional as opposed to a developmental logic, and were monitored and controlled centrally, via complex clientelist networks that extended down to the local level.

LSGOs' resources deprivation, as reflected in the lack of technical infrastructure, personnel, know-how and finances, characteristics directly connected to the preservation of the centralised State, had as a consequence not only LSGOs being dependent on the central State but also on contractors. As a result, project selection for prefectural and subsequently regional development programmes was not based on technical and developmental criteria but on clientelist and electoral considerations connected to the centralisation of power.

A theoretical framework

Research in the context of this study has shown both the centrality of national institutions and practices as well as the importance of the Commission as a supranational actor. Therefore, any attempt to interpret the application of partnership in Greece and its impact on existing national arrangements has to consider these two dimensions. MLG theories do highlight the role of the Commission in sub-national mobilisation, examining the interplay between the Community level on the one hand and the central State on the other (Marks, 1992). However, the findings of empirical research suggest that an MLG approach should be complemented by elements of institutionalist theory, which puts emphasis on cultural and distributional determinants in the process of reform.

Two elements are important for the interpretation of resistance to change in Greece: a) the distributive function of the institutions, and b) the centrality of this element in the preservation of the centralised State in Greece. Indicatively, it has been pointed out that,

...resource dependency needs to be embedded in an institutionalist understanding of Europeanisation ... domestic institutions determine the distribution of resources among domestic actors. Europeanisation changes this distribution to the extent that there is an incompatibility between the European rules and regulations, on the one hand, and the institutional structures of the State, on the other (Borzel, 1999, p. 573).


The role of European legislation as a mechanism of Europeanisation, changing the distribution of power and resources at the national level, is also identified by Knill and Lehmkuhl (1999), and institutional theory is recognised as a valuable analytical tool precisely because it considers the role of vested interests, 'bound to institutional and organisational choices of the past' (Christensen, 1997, p. 145), while other studies have shown, along the same line of thought, that Europeanisation does not necessarily bring about changes in Member States (Goetz, 2000).

As shown below, the application of partnership in Greece during the two first CSFs constitutes an indicative case of the resistance of existing opportunity structures to changes perceived as 'the expression of the existential anguish of large social strata of the Greek society, which with the perspective of this new logic of an open system are faced with issues of existence and survival' (Diamandouros, 1996, p. 204). The cultural element in the process of national adaptation has also been acknowledged as a factor hindering compliance with European rules, and rendering Greece's integration into Europe dependent on the rapidity with 'which traditional values and behaviours will give in before the modern values and behaviours' (Katsoulis, 1988, p. 38).

In sum, it is evident that the factors accounting for Greece's unsatisfactory performance regarding partnership – and not only – should be acknowledged as being directly connected to patterns of resource distribution embedded in culture.

Application of partnership 1989-1999

In Greece, partnership was severely hampered not only by persisting on traditional practices at the national level, but also because of the Commission's strong interference owing to a) the weaknesses of the administration and its inability to respond to the needs of multi-annual programming and b) the national authorities' low negotiation power owing to i) special financial assistance granted by the Community in 1986, ii) demands for a new Community loan with a view to meeting the needs of the national contribution to CSF financing, and iii) the fact that the CSF was seen as the very 'last chance' for economic recovery. In light of the above, the Commission's interference has been heavy in the whole process of planning and programming, especially in the case of the regional operational programmes



(ROPs) and owing to the extremely low capacity of the regions. The national authorities tended to comply with the Commission's proposals at the expense of the principle of partnership (Evalion, 1995).

The Commission's interference has been intense, especially in reprogramming. More specifically, a common observation has been that it has used its veto in MC decisions. In general, MC decisions were already reached, before meetings of the Committee, between the Secretary General, his consultants and the representative of the Commission, the latter enjoying the power of veto. When the MC met officially, everything had been decided in advance, and the other members of the Committee simply complied, as the Commission threatened to block funding unless its proposals were accepted.² On the other hand, it seems that, in most cases, the Commission 'had no other choice'³ as overseer of the application of Community legislation.

Partnership was also hampered, and the central State's and the Commission's roles were enhanced with the so-called 'written procedure', which substituted for formal meetings of the MC. Instead, a written proposal would be circulated among the members of the MC, who had a certain amount of time to submit their opinions individually. The proposal was also sent to the Ministry of National Economy and the Commission. In case of disagreement, this was discussed and resolved between the Commission and the Ministry for National Economy, since, in the case of Greece, subsidiarity is restricted at the Community level on the one hand and the national government on the other (Evalion, 1995).

Clearly, despite the flexibility of this approach, the openness and transparency implied by the principle of partnership have been greatly impaired, while there has been further centralisation of power.

During the 2nd CSF, the partnership suffered further with even stronger intervention from the Commission in an effort to address the issues not resolved during the 1st programming period. More specifically, following the experience and disappointing results of the 1st CSF, negotiations in the 2nd one included on the Commission's initiative and the introduction of reforms that would improve the effectiveness and efficiency of actions undertaken during the 2nd programming period. The reforms provided for in the CSF concerned the establishment of a management organisation unit (MOU), mainly in light of the regions' organisational weakness, and improvements to the public works production system (PWPS), and these highlight the Commission's dynamic role in the process of domestic reform. It was stipulated that both measures would be in operation at the latest by 1 January 1995 (European Commission, 1995b: 118).

As discussed below, what constitutes a breach of the principle of partnership is not the fact that these innovations were introduced on the Commission's initiative, it is the absence of open and transparent procedures and the exclusion of subnational public and private actors from the discussions leading to the introduction of the measures, which moreover resulted in further centralisation of the whole system.


MOU creation was somewhat delayed while the Joint Steering Committee (JSC) which was assigned to the PWPS reform was set up in 1995.

Management Organisation Unit (MOU)

The introduction of MOU has been widely reported as being the result of Commission pressure on the Greek government. However, its establishment and evolution also reveal the Ministry of National Economy's anxiety to retain tight control over the programmes. Undoubtedly, the Commission aimed to redress the problem of lack of specialised and competent personnel in the regions, while at the same time a unit designed and introduced on the Commission's initiative and funded with Community resources was expected to ensure the latter's tighter control of the programmes. Accordingly, it has been argued that this was mainly connected to considerations of efficiency, although it also suggests a tendency on the part of Commission to enhance its role. Owing to a number of factors, ranging from overlapping competencies with other actors in programme application⁴ to power conflicts with actors in

²Interviews with Ministry of National Economy officials, and ROPs for Attica and Peloponnese Secretariats' staff members, 1997-2001.

³This has been a common statement of Commission officials: Interviews with Greek officials of DG XVI, 1997-2001.



the Ministries, and moreover its partial absorption by traditional patterns, MOU, despite a good start, failed in the end to consolidate its position.

By 1998 there were ten MOU units in total. Six of them were established in the regions, while the MOU network expanded gradually to 21 units covering all the regions of Greece and some Ministries. The overall goal was to establish a single, unified management, monitoring and reporting system for the CSF's operational programmes via the introduction and operation of new tools, which were expected to diffuse a new logic in the programming, implementation and monitoring of programmes. It has, however, been argued that this would facilitate control of the unit by either the Commission or the Ministry of National Economy⁵. Such has been the conflict over the control of MOU that although it was supposed to have been set up by 1 January 1995, it finally started functioning nearly two years later, and then only when the Commission threatened to discontinue technical assistance funding unless the Greek authorities complied with the relevant clauses of the CSF. Resistance was located mainly among the Ministry of National Economy administrators, who despite the explicit references in relevant clauses of the CSF – a result of tough negotiations with the Commission – according to which the legal status of the Unit 'maintains and enhances the supervisory and co-ordinating role of the Ministry of National Economy' (European Commission, 1995b: 118), feared that MOU would strip them of considerable powers, as it would intervene between them and various actors in the allotment of funds. It is characteristic that, even after the central MOU was set up and started recruiting staff for the regional and sectional units, the actors in central government did not abandon the idea of scrapping the institution.

The emphasis on the role of the Ministry of National Economy in the clauses of the CSF leaves no doubt as to the preoccupation of the Ministry of National Economy to retain control of the programmes, vis-à-vis both the Commission and the national agencies. It was argued that the Commission literally imposed MOU on the Greek Authorities, due to the latter's low negotiating capacity, a factor mentioned before in relation to the Commission's strong interference. All the actors interviewed agreed that MOU's creation targeted ensuring the Commission's tight control over the implementation of the CSF, because it did not trust the Greek public sector's efficiency. The general tendency towards the use of private actors in the management of the CSF precisely reflects the Commission's distrust of the Greek public administration.⁶ On the other hand, it has been argued that MOU was created not only because of the Commission's pressure, but also because certain circles of the Ministry of National Economy officials aspired to control it, and through it the programmes. When they realised this was not possible they adopted an antagonistic attitude towards it.⁷

Two observations should be made here:

- This conflict over control of the MOU and subsequently of the programmes occurred in absentia of the regions, which contradicts the spirit of partnership.
- The whole process resulted in preservation of the existing system, i.e. central command of resources and further centralisation towards the Community level at the expense of the idea of dispersion of the power underlying the principle of partnership.

The Joint Steering Committee (JSC) for Public Works


It was established in January 1995 at the Ministry of National Economy, as a sub-committee of the CSF Monitoring Committee (CSF-MC). It was composed of officials of the Ministry of Environment and Public Works, Commission officials and one member of staff from the Ministry of National Economy as the Secretary of the Committee. Despite the overwhelming presence of Ministry of Environment and Public Works officials in JSC, interviewees have pointed to the Ministry of National Economy's pre-eminence in enhancing the Committee's actions. It was argued that JSC and the measures adopted on its recommendation primarily illustrate the Commission's dynamic intervention, but also the Ministry of National Economy's intention to ensure firm control over the programmes, in the context of its

⁴The CSF clauses provided that the programme managers, introduced to address the weakness of the regions, and also answerable to the Ministry of National Economy, would continue to operate in parallel with the MOU units during a transition period.

⁵Interviews with ROP Attica Secretariat staff members, May 2000.

⁶Interviews with high-ranking officials from the Ministry of National Economy and ROP Attica Secretariat staff members, May 1999.

⁷Interviews with a high-ranking staff member from the Region of Crete and officials from the Ministry of Interior and Public Administration, May 1999.



antagonism with the Ministry of Environment and Public Works.⁸

The analysis here will focus on three innovations introduced after JSC's proposal as the most illustrative of the arguments made here, according to which, the consultation and cooperation among the various actors involved in the programmes required by the substance of the principle of partnership was not respected by either central government or the Commission. The new form of technical fiche (TF), a tool for project selection, and Ministerial Circular No. 2/96 on budget underestimation directly clashed with traditional PWPS. The technical consultants, experts hired by the Ministry of National Economy, were established in the regions to see to it that the TFs and the Ministerial Circular were implemented.

As characteristically stated by a Ministry of National Economy official, the CSF is a 'loose piece of legislation', a form of soft law allowing for individual action. The introduction of the TFs, Circular No. 2 and the technical consultants has been the result of work of the Commission officials⁹ with tolerance from the Ministry of National Economy.

New Technical Fiche

Project selection had for a long time been among the most serious preoccupations of the Commission in the Greek CSFs. Greek officials of DG XVI were aware of clientelist practices and sought a means to address the issue.¹⁰ The TF, like all reforms concerning PWPS, has been principally their idea. The majority of national actors resented its adoption, even Ministry of National Economy officials, the Ministry which has promoted all the relevant reforms. It has been stated that there was great pressure on the part of the Commission for the introduction of measures and institutions that were not explicitly included in the CSFs, and thus not part of the official agreement between the Commission and the Greek government. The new forms of TF, far more sophisticated than those already in use since the IMPs, have been one instance of this.¹¹ In order to better understand the significance of this innovation, the following should be considered: TF forms are fundamental programming tools. They describe the works and projects eligible for inclusion in ROP, they do not simply contain instructions as to how they should be filled in or how a project should be monitored; they also include guidelines as to what projects and works should be selected for inclusion in a programme. In other words, they interfere directly in programming, the most important phase of the application of an ROP.

There are several dimensions here:

- The catalytic effect the TF has on clientelist practices, and therefore the challenge it represents for traditional opportunity structures. It suggests that project selection can no longer serve as a means for the preservation of the status quo in the process of resource allocation for local programmes. This is a positive aspect of the measure.
- This tool was, however, imposed by a supranational actor, which made more crucial the legitimacy issue for those affected by its introduction. It has been seen as a violation of the principles of proportionality and partnership and a blow to national sovereignty.¹² Moreover, regional and local political and administrative personnel have seen it as an authoritarian action on the part of both the Commission and the Ministry of National Economy, as its application was controlled by the technical consultants discussed below, i.e. employees of the Ministry of National Economy.
- Furthermore, regional and local partners were not consulted on its introduction.¹³ This apart, from causing offence to the spirit of partnership, also had negative practical effects: local actors as already noted had meagre means and know-how which did not allow them to adopt the new tool successfully, and as a result this made them dependent on private companies often affiliated to central government. If there had been consultation with and preparation of the actors involved before its introduction, the negative effects would have been avoided to a great extent. The TF was first introduced, towards the end of 1995, in the regions, because it was mainly meant to address the chaos created by clientelist practices in the ROPs. The elaboration of these forms was entrusted to three private companies,


⁹The inception and introduction of the three innovations discussed here have been mainly connected to a Greek official of the Commission, who seems to have played a predominant role in this process.

¹⁰Interview with a European Commission Greek official, November 1997.

¹¹Interviews with Ministry of National Economy and ROP Attica Secretariat staff members, September 2000.

¹²Interview with high-ranking political personnel in the Region of Attica, Autumn 1998.

¹³Interviews with Ministry of National Economy officials, October 2000.



which also circulated the first copies to the regions unaccompanied by any official governmental document. In the seminars organised hastily with a view to presenting and explaining the use of the TF, which did not at any rate offer a satisfactory solution to the training of regional and local actors, it was a Commission representative that first addressed the implementing agents.¹⁴ On the whole, from inception to final introduction, the TF has been the product of supra-national and private actors, with tolerance from the political leadership of the Ministry of National Economy.

Ministerial Circular No 2/1996

On JSC's recommendation, a series of legislative measures was adopted to tackle the issue of repeated budget revisions, a traditional practice facilitated by the national legal framework.¹⁵ The 50 per cent increase in physical objects during the implementation of works, apart from creating problems in funds absorption and programme efficiency, also resulted in reality in the direct awarding of contracts in violation of Community directives. There is no doubt that the issue should be addressed in a drastic manner, but the solution finally adopted was rather provocative.

According to the Greek constitution, a piece of legislation can be repealed only by another piece of legislation adopted by the Greek Parliament. On the other hand, the national authorities must apply Community law. Community directives on the awarding of PW contracts, while prohibiting fragmentation with a view to the direct awarding of contracts, did not prohibit budget revisions during implementation. The issue was initially addressed in Greece with the adoption of Law 2338/1995 prohibiting budget overruns for contracts awarded after 14 October 1995, the cost of which was equal to or exceeded 5 m. ECU.

On 15 June 1996, after pressure from the Commission, with the Ministry of National Economy's tolerance and on the JSC's recommendation, Ministerial Circular No 2 was issued on the 'Approximation or/and finalisation of the economic object of contracts and works co-financed by Community resources, not subject to the provisions of Law 2338/1995'. The Circular dealt with budget overruns of contracts of less than 5 m. ECU, i.e. it amended Law 1418/1984 covering the transition period until a new law was adopted by the Parliament. Pursuant to the circular, budget revisions to the above category of projects were prohibited. Moreover, for projects already under construction, contractors should submit within four months at the latest a report with the final cost for completion of a project or, if this was not possible, for the part of a project that is functional in itself, or at least of a group of works that will ensure satisfactory completion of the project. The above should be achieved without increase in the initial cost or that in the last 'Comparison Table'.¹⁶


As expected, there were fierce reactions and great confusion among the agents involved in PWPS. The routine followed until then was turned upside down with the Circular. One of the most common arguments was that a Ministerial Circular was issued to repeal a law, which was an infringement of the Constitution. Animosity was even greater because the Circular was imposed by the Commission. By the end of February of the same year, i.e. nearly six weeks later, Art. 4 of Law 2372/1996 adopted by Parliament annulled the so-called 'Comparison Tables'. Budget revisions were permitted but strictly restricted to additional works which became necessary due to unforeseen circumstances of extreme urgency.

In short, the formal process whereby a law is first adopted by Parliament and then a ministerial circular follows with instructions for its application was reversed in this case. It has been argued that the practical results would have been the same even if the formal process had been followed, which is true. It is also true that the chaos resulting from the continuation of traditional practices should be terminated. It is not clear why a formal process was not followed instead, in which case at least appearances would have been saved. Research has revealed that the role of Greek officials of the Commission being responsible for this development is much resented. It has often been argued that patterns deeply rooted in culture

¹⁴Interviews with a Ministry of National Economy administrative staff member and the MC Secretariat of ROP Attica. As pointed out, the elaboration of TF had to be assigned to private agents owing to a lack of know-how on the part of the Ministry. This was attributed to the endemic pathology of the Greek public sector, such as non-meritocratic criteria in staff employment and the absence of continuing education for civil servants. Interview with high-ranking political personnel from the Ministry of National Economy, November 1999.

¹⁵Law 1418/84, "Public Works and related matters".

¹⁶A table with details of revised costs had until then been used for budget revisions during implementation.



do not change abruptly simply because some formal measures have been introduced, and that non-Greek Commission officials have always shown more understanding for the cultural embeddedness of domestic institutions than do their Greek colleagues.¹⁷

Technical Consultants

This support mechanism was created specifically to assist in the management, planning and implementation of PW projects from the ROPs; in short, the measure was addressed to the regions in light of their organisational and managerial inadequacy. Only later and after much resistance was it also introduced at the central level, i.e. in operational programmes monitored by ministries and other central government agents. This mechanism comprised 66 jobs in total, staffed by private civil engineers. Their task involved the examination of TF forms in order to judge the eligibility of projects and suggest to the secretary-general of each region which projects should be selected for an ROP. Small groups of technical consultants were established in the 13 regions, and in most cases these were very badly received by the secretaries-general and civil servants. They were seen as outsiders, agents of the Ministry of National Economy who limited the authority of the secretary-general. There have been cases where, for a long time, they were not even allowed a desk.¹⁸ It took nearly a year and a half before they were finally accepted by the political and administrative personnel of the regions. As characteristically pointed out by a secretary-general, 'this is a form of para-administration that takes decisions in the name of technocracy, which I am then expected to endorse'.¹⁹

Case study – ROP Thessaly

The aim of this section is to illuminate some of the main points made in the study so far. It seeks to do so by looking into issues that arose in the application of partnerships for two ROPs.

Thessaly was chosen for a case study because it brings together several important elements in the analysis regarding the response of the administrative system to the requirements of the principle of partnership, as discussed above.

Monitoring Committee and partnership: persistence of old practices and further concentration of power

Before an official meeting of the ROP monitoring committee, the so called 'technical groups' composed of representatives of the region, the Ministry of the National Economy and the Commission would meet in advance to discuss the issues before these were brought before the MC. As widely stated, there has always been a very good level of communication among the three partners. Lobbying by various agents would also take place during this phase.²⁰ 'Lobbying' in this context, however, should be understood as traditional clientelist practices, which is far from the open, transparent and democratic process suggested by the principle of partnership. The practical result has been that agreements reached in this context were not based on rational developmental criteria, but on redistributive, political considerations.²¹ The MC tended to endorse what had already been decided upon. Thus, this forum, the expression par excellence of the principle of partnership, was reduced to a body of endorsement of decisions already taken.

Confirming the general rule observed above, partnership in Thessaly also seems to have been impinged upon owing to the 'written procedure'. This extensively replaced the formal decision-making process with the aim of speeding up the operation of the ROP. It seems that the 'written procedure' has worked very effectively in Thessaly. As pointed out, there has almost never been a refusal on the part of either the Ministry or the Commission to adopt proposals from the Region submitted in the context of the 'written procedure'. This is again attributed to the very good level of communication between the three tiers,²² though local-level and private actors were not part of this process.


¹⁷Interviews with a member of the political personnel of the Prefecture of Magnesia, Ministry of National Economy, and officials and members of the ROP Attica Secretariat, April–June 2001.

¹⁸Interviews with technical consultants, spring 2000.

¹⁹Minutes, CSF 1994–1999, monitoring-committee meeting of 31 October 1997. Statement by the secretary-general of the Region of Western Greece.

²⁰Interviews with staff members of ROP Thessaly MC and those responsible for ROP sub-programmes during the 1st and 2nd ROPs, July 2000.

²¹Interviews with local-government authorities of the Region of Thessaly, July 2000 – October 2001, and the ROP Thessaly Programme Manager, July 2000.



Given that in both the 'technical committees' and the 'written procedure', lobbying on the part of local government almost never reached the Commission,²³ it has been convenient for the central level of government (mostly the Ministry of National Economy) to use the presumed veto of the Commission as a pretext in order to turn down proposals from local self-government authorities (LSGAs) and other implementation agents. If dialogue had taken place in the context of formal transparent procedures, with all partners involved present, it would have been difficult and politically costly, whereas in this case the Commission was used as a scapegoat.²⁴ The argument goes that proposals rejected in this context did not meet the criteria and the proposing agents were using political pressure in order to bypass them. But even if this applied in all cases, which would mean that at least efficiency was served at the expense of transparency and partnership, this practice still allowed ample margin for misuse. It is, furthermore, clear evidence of the concentration of power towards the upper levels of government. Furthermore, the inadequacies of the State at the central level made the Commission's role far more important and interventionist.²⁵

Public-works production and new tools

The new Technical Fiche, Ministerial Circular No. 2 and Technical Consultants

There have been contradictory statements regarding the new, sophisticated TF. On the one hand it has contributed to rationalisation and has made project-selection more transparent. On the other hand, it has placed additional pressure on the LSGOs that were already unable to deal with the existing far simpler form of TF. As has been argued, there is no doubt that this has been an important step towards the rationalisation of project-selection with a significant impact on clientelist practices, but the issue of LSGOs' incapacity should have been addressed before their introduction. In most cases, the merger of LSGOs, which occurred long later after the introduction of the TF, did not produce new strong entities, while national resources for LSGO organisational needs continued to be insufficient.²⁶

Similarly, Ministerial Circular No. 2 has been another instance of a challenge for both the clientelist system as well as LSGOs' capacity. Its sudden introduction, though project implementation had already begun under the previous regime (Law 1418/84), caused a strong reaction and great confusion. Indicative of the turmoil it created in the network of PW production, and presumably among the 'solutions' adopted by interested actors to cope with the new measure, is the fact that it has not been possible to access data regarding percentages of compliance with the circular.²⁷ The following example, which has been the only accessible relevant piece of information, is however indicative of the nature of the problems created by the application of the circular:

A project for a school that had started under the old regime included a swimming pool, the cost of which was not accurately estimated in the initial budget for the project. The intention was to revise the budget during the course of implementation and thus cover the cost of the swimming pool. But the introduction of the ministerial circular prevented the implementation agency from completing this scheme. No further details were provided.

The technical consultants were established to make sure that new forms of the TF and the later Circular No 2 were applied. They were seen at the beginning as intruders by the secretary-general and as a threat by the implementing agents, but more particularly by the contractors. As characteristically noted, they "stirred up calm waters", meaning that they directly challenged the interests of the PW production network as a whole, which caused real turmoil.²⁸

²²Interviews with staff members from ROP Thessaly MC, and Thessaly Region staff members responsible for sub-programmes during the 1st and 2nd ROPs, July 2000.


²³This was confirmed in an interview with a non-Greek European Commission official, October 1998.

²⁴Interviews with staff members of ROP Thessaly MC, July 2000.

²⁵The Commission's major contribution to the planning process was confirmed by all the interviewees.

²⁶Interviews with Thessaly LSGO political and administrative personnel, July 2000 – October 2001.

²⁷It is characteristic that at all levels actors refused outright to provide data or found subtle excuses for not doing so, treating the issue as 'classified'. It has been stated that 'wherever it has been possible to avoid application of the circular, it was not applied after all'. Interview with a mayor in Magnesia-Thessaly, July 2000.



As noted before, the technical consultants were answerable to the Ministry of National Economy, and as such their loyalties did not lie with the region. Indeed, as illustrated in the case of Thessaly, there have been problems resulting from their refusing to abide by the organisational rules of the region, as directly answerable to the Ministry of National Economy. Moreover, there have been tensions between technical consultants and MOU staff due to overlapping competencies. An incidence of this has been the antagonism over control of the new management information system (MIS) established in the region in 1999. Just like the friction between the programme manager and MOU, external actors have competed for power and influence within the region.

Apart from the fact that all these bodies did not really enhance the region's organisational and managerial capacity as a developmental entity, there has been a negative impact of this external matrix on programme efficiency. The fact that the various actors did not acknowledge the secretary-general of the region as their sole superior made their co-ordination by the latter difficult and had consequences.

Social and economic partners, social capital, empowerment of the region.

The importance attributed by the Commission to the social and economic partners playing a significant role in the empowerment of the regions is revealed in the special provision included in the CSF for 1989–1993. More specifically, it was provided that 'a priority objective should be to improve the efficiency of the productive sector and semi-public regional bodies (chambers of commerce, trade organisations, local authorities etc.) by providing high-level training and attracting, recruiting and promoting exchanges between highly-qualified and experienced managers' (European Commission, 1990: 21).

For the application of the above provisions, two measures were included in the 1st ROP Thessaly aiming at the creation of agencies that would provide technical support, promote financial engineering and prepare studies, e.g. for new markets, with a view to supporting small to medium size enterprises (SMEs) in the Region. The financial commitment of these measures did not exceed 4–5% of the overall financial commitment of the ROP, yet absorption was next to zero, with repeated transfers of resources to other traditional-type measures (Economou, 1994). The success of the measures largely depended on the response of the SMEs which, however, showed indifference, despite the fact that the measures were aimed at upgrading their capacity. As a result they were not activated (Ypodomi, 1993).

As argued by the evaluator, this was due to lack of the necessary means, not only in terms of finance but also infrastructure and trained staff.²⁹ The same has been confirmed by presidents of the Commercial Chamber of Thessaly and the Association of Industries of Thessaly regarding participation in the planning process of the ROPs. It was argued that 'owing to a lack of financial and human resources as well as technical infrastructure, the social and economic partners are not in a position to submit mature proposals'.³⁰ In addition, it was admitted that the regional chambers relied to a great extent on the central associations for the proposals they make in the context of development plans.³¹

Popular distrust towards the obsolete State was also acknowledged as a factor contributing to the unresponsiveness of the social and economic groups of Thessaly to the regional development process.

It is argued here that social-capital aspects, such as the organisational paucity of the social and economic partners, the poor interaction between the latter on the one hand and public-sector actors on the other, the indifference of social and economic actors resulting from distrust to an obsolete and unreliable State, the dependence of regional chambers on their central associations regarding proposals for developmental planning, account for ROP inefficiency that is directly related to the ongoing incapacity and dependence of the region on the central State. Regarding the particular dependence of regional chambers on their central associations, it shows, when analysed, other traditional features of social and political organisation. More specifically, the entanglement of intermediate bodies by the State and their control through union leaders who have a personal interest in retaining this mode of interest aggregation and articulation, linked to the reliance of regional chambers on central associations, suggests an absence of social control over the regional development-policy process by social actors of

²⁸This has been widely reported. Interviews with ROP Thessaly evaluator, ROP Thessaly programme-manager, and LSGO administrative and political personnel, July 2000 – October 2001.

²⁹Interview with ROP Thessaly evaluator, June 2000.

³⁰Interview with President of the Pan-Thessalic Association of Industries, July 2000.

³¹Interview with President of the Chamber of Commerce of Thessaly, July 2000.



the region in the interest of the region.

These factors considerably restricted the prospects for empowerment of the region, the LSGOs and the social and economic partners, and consequently the quality of the principle of partnership.

Conclusion

The introduction and further enhancement of the principle of partnership in the 1988 and 1993 revisions to structural funds viewed the empowerment of subnational tiers in terms of administrative and developmental capacity as well as the inclusion of private actors in the preparation and implementation of programmes.

Through the 'institutionalisation of consultation', the coordination of the various actors and the infusion of the expertise and knowledge of all levels of governance was expected to achieve efficiency, which was the main goal, while also meeting idealistic aspirations for grassroots democracy.

The research goal of this study has been to find out whether and to what extent the application of the principle of partnership during the first two CSFs for Greece induced changes in the domestic regional-policy process and the relations between the various levels of governance. The research has shown that there was a tendency towards preservation of the existing centralised system of governance as opposed to the dispersion of powers dictated by the principle of partnership. Furthermore, owing to the endemic weakness of the Greek administration and the low degree of negotiating power on the part of the Greek government, there have been rigorous interventions by the Commission at the expense of the principle of partnership. The Commission's dynamic action, justified to a certain degree by its responsibility to assure efficiency in the implementation of policies, following the strong resistance of Greece to abide by Community rules, resulted nonetheless in a further concentration of power infringing upon the spirit and the letter of partnership.

There is a lot of truth in the argument that the idea of the 'structured dispersion of power' along the lines of partnership and shared responsibility, which has been the foundation of American state-building, could not serve as a basis for European unification, since state theories in Europe emphasise 'state rather than popular sovereignty as the basis of governmental powers and intergovernmental activities' (Elazar and Greilsammer, 1986: 79). It is argued here that it is precisely this situation that affects the application of the principle of partnership in the European context.

It is also argued that a formal definition of partnership in the European context, i.e. the definition as contained in treaties and other official documents, is not sufficient. It is the degree to which partnership develops into a real working relationship among the various public and private actors, also involving consultation and cooperation at and in all levels and phases of policies, that matters. However, taking into account the fact that European unification started as an effort, a step towards assuring international cooperation among sovereign states (Elazar and Greilsammer, 1986: 80), it should be expected that the development of partnership could become problematic as research in the present study has revealed. It is precisely the distinctive nature of European unification that impacts on the nature and quality of partnership as applied in the European Union.

More specifically, the European state-centric idea and the fact that, despite some aspirations for a federal construction, the EU started and remains to a considerable degree the union of sovereign states, all retaining their own administrative and political structures and cultures have further repercussions on the quality of the principle of partnership, as the role that the Commission can play in the enforcement of policies can lead to infringement of the principle. The results can be paradoxical: while on the one hand the Commission has been the par excellence supporter of the application of partnership as a means of empowerment for subnational public and private actors, its interference, dictated by the responsibility to ensure the implementation of policies in a union bound a variety of administrative arrangements, can lead to serious violations of the principle and further centralisation as opposed to the diffusion of power. Overall, the research has demonstrated that existing institutions are deeply rooted in culture, and the dynamics they released when defending their maintenance and reproduction have proven to be far too powerful for the reforms introduced. It should be stressed that this does not mean that traditional practices have been left completely untouched. It means that their persistence has been very strong, and as a result change has been slow and of limited scope.



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Interviews

European Commission Greek officials

European Commission non-Greek official

High rank officials of the Ministry of National Economy

High rank political personnel of the Region of Attica

High rank staff member of the Region of Crete

Local Government Authorities of the Region of Thessaly

Ministry of National Economy high rank officials

Ministry of National Economy administrative staff members

Ministry of Interior and Public Administration officials

Political personnel of the Prefecture of Magnesia

President of the Chamber of Commerce of Thessaly

President of the Pan – Thessalic Association of Industries

Region of Thessaly staff members responsible for sub-programmes during 1st and 2nd ROPs

ROP Attica Secretariat staff members


ROP Thessaly Evaluator

ROP Thessaly Programme Manager

ROP Thessaly MC staff members

Technical Consultants

Thessaly LSGOs political and administrative personnel



Assessing the Impact of EU Cohesion Policies The Case of Innovation Policy in the Regions of Thessaly (Greece) and Basse-Normandie (France)

Georgios Koukoufakis

1. Introduction

The rationale of the cohesion policy's original design in the 1980s, little has changed to this day. It is about helping areas on the periphery of the EU, that have been left behind in terms of economic development, to achieve higher growth rates than the already developed central ones, in order to bring some economic balance over time. This objective is largely expressed through the cohesion policy's initiatives and its financial tool, the structural funds.

The policy design and the management of the structural funds will determine the success or failure of the cohesion policy as a whole. Integrated and sustainable management is necessary in order to achieve greater and longer-lasting positive impact on local economies and societies. It is, however, questionable whether the recently institutionally empowered regions have the capacity to successfully manage the procedures needed. Especially, the promotion of innovation as a policy field for local development is a demanding task that requires highly qualified human capital to deal with its complicated processes. Hence, it is necessary to assess whether the policy-planning and management activities are consistent with the plans of the EU and to keep track of the factors that influence these procedures, as well as of the particularities faced in different EU countries. Such assessment will help to recognize the problems and risks that the initial intentions of both the EU and its different regions face.

Under these circumstances, in this paper we attempt to link the inherent challenges of the cohesion policies with the challenges that the introduction of innovation in the EU policy creates by monitoring what is actually happening in the field. To this end, after theoretically examining the evolution of regional dynamics and innovation, as an element for development, a theoretical and practical framework is created, which is then used to analyze the two regions under study. In this regard, the analysis of the current situation in Thessaly and Basse-Normandie raises questions concerning the risk of policy failure that could mean rising inequality – instead of building bridges – across Europe's regions.

2. Spatial level and thematic field of the study


In recent decades, the discussion of innovation has become a global trend, since innovation is recognized as a key element for development. At the same time, the regions have emerged and increasingly become principal actors in the endorsement of economic development. These two aspects of territorial development, innovation policy as a development tool, and the regions as spatial and institutional units, have come together in Europe's regional policy.

2.1 The regionalization through the cohesion policy

One of the important modernisms that the cohesion-policy package introduced into Europe's regional policy was the territorial dimension. The EU's policies in the 1980s moved from a "cohesion countries" to a "cohesion regions" conceptualization, describing cohesion as a territorial and not a sectoral policy (Leonardi, 2006).

This change aligned with one of the Commission's main goals in the field of governance, which concerned the increased presence of sub-national authorities in member states (Smyrl, 1997), either numerically, by pressing for their creation where they did not already exist, or in terms of power, via the assignment of more competencies to them. This phenomenon is encapsulated in the notion of regionalisation. Regionalisation refers to the process of increasing the power of European authorities that operate at a sub-national level (i.e. at a territorial level between national and local (municipal), usually equated with NUTS2¹ regions) (Borghetto et al, 2009; Marks et al, 2008).

¹Nomenclature des Unités Territoriales Statistiques are territorial subdivisions of the member states of the EU in order to harmonize the process of collection and elaboration of national and Community statistics.



The regulatory reform of the Structural Funds in 1988 led to important regional-level changes in this direction, as it aimed, among other things, at decentralization, Europeanization and a shift towards a regional development model (Leonardi, 2006). In this framework, the main policy that has pushed the regionalization process further is the cohesion policy. The Commission asks for extensive regional participation in structural policies, and most countries, in order to assist the implementation of the EU's cohesion policy, create sub-national authorities or allot constitutional powers and new responsibilities to the existing ones (Elias, 2008; Leonardi, 2006; Marks, 1993).

Since that time, the competences given to the regions have been continuously increasing. The Commission applies pressure for the establishment of partnerships between local and national actors in the management of Structural Funds (Newig, 2014). In the 2007–2013 programming period, the sub-national authorities of many member states played an extensive part in the design of operational programmes and the drafting of official documentation (Bachtler et al, 2007), while in the 2014–2020 period, there are regions that have been given the whole responsibility for the implementation of these tasks.

2.2. The rising importance given to innovation by the EU

In parallel with the aforementioned institutional changes, a policy orientation shift occurred as a consequence of the Lisbon Treaty in 2000. The Lisbon agenda was presented as an answer to globalization and rapid technological developments, having as objective to increase social cohesion and employment, by making Europe the most dynamic and competitive knowledge-based economy in the world (Schepers, 2013).

According to the Organisation for Economic Co-operation and Development (OECD), in the globalized society, where the access to information and markets is free, the competition between nations and companies increases and the ability to innovate becomes a key factor of economic growth (OECD, 2005). Various types of innovative activities that contribute to that can be recognized: product innovation, process innovation, marketing innovation and organizational innovation. In areas where these activities take place the innovative capacity increases, leading to economic and social development (OECD, 2012).

In the last two decades, the importance that the EU attaches to innovation has increased significantly. The increase in funding for research and development (R&D) and innovation initiatives from the cohesion policy's budget demonstrates that shift. The budget was tripled, reaching € 85bn in the 2007–2013 programming period (EC, 2007). The new Europe2020 Commission's strategy is moving in the same direction and considers regional innovation policies to be key elements of development that strengthens regional competitiveness in a globalized environment (Koschatzky et al, 2010).

Today, EU targets innovation as a primary goal in order to maintain, in the global economy and in the future, the Union's competitiveness and its living standards, as well as to tackle environmental and social challenges, such as an ageing population and unemployment (EC, 2013). To do so, Europe's innovation policy is influenced by innovation-process theories and is focusing more and more on integrated innovation systems. The system is the structure, the organized context where innovation takes place. In this structure, the innovation process employs linkages and communication amongst internal and external actors with unspecified roles, which can at the same time, be scientific and economic and heavily reliant on the social, institutional and economic environment (Seravalli, 2009). Consequently, innovative performance is not only a matter of the internal capacity of an institution, a firm or a group of them. Innovation processes depend on the specific patterns and norms of the context in which they occur.

This last assumption highlights the territorial and context-specific perspective of innovation systems and explains the importance given by the EU to regional systems of innovation that can exploit advantages of the local milieu. Regional conditions (location, size, demographics, hard infrastructure, economy characteristics, governance models etc.) can influence regional innovation performance and are key elements of regional advantage or disadvantage (Fritsch et al, 2011). This is why the EU aims to decentralize innovation policies and promote local development and competitiveness through R&D and innovation initiatives that will help to improve Europe's overall innovative performance (Kaiser et al, 2005).



2.3 The ongoing strategy for regional innovation

Today, because of the diversity of Europe's regions and the specificities of their innovation and knowledge-creation processes, the EU tries to energise the regions that lack economic development and to strengthen their innovative environment.

The ongoing "RIS3 strategy" calls on European regions to create "Regional Research and Innovation Strategies" for "Smart Specialization". The Smart Specialization (SmSp) strategy leads to the creation of regional-innovation policy packages adapted to each region's innovation pattern via incorporation of the concepts of "embeddedness" and "connectedness" (Camagni et al, 2013). This means that the new policy's direction will be influenced by the region's internal environment, taking into consideration local capabilities and creating strong links to the external environment to reinforce knowledge flows.

The SmSp strategy is seen as a solution to the innovation-performance imbalance across European regions. The strategy requests an ex-ante analysis by the regions to identify their strong points before the funds arrive. This will prepare the administrative and political structures, strengthen the links between the actors and reinforce the planning capacities of the region to increase the funds' efficiency (Grillo et al, 2011).

3. Challenges arising from the integration of innovation into the cohesion package

In the EU's efforts to stimulate innovation in Europe's regions, two challenges can be identified. The first concerns the smooth embodiment of innovation in the European cohesion policy, while the second refers to the mobilization of local governance to develop and apply innovation policies.

To address the first challenge, the Commission inaugurated the strategy of "regions delivering innovation through cohesion policy". Europe's regions, apart from their economic disparities, present great diversification in terms of innovation performance (Korres et al, 2011), across both regions in Europe and within nations. The cohesion policy aims to address these gaps by promoting innovation in rural and less developed regions (EC, 2014). Innovation policy is being embedded in the cohesion package, and as an innovation itself becomes an experimental development tool in the hands of policymakers at the local level (Koschatzky et al, 2010).

This leads to the second challenge. The rapid regionalization process created new levels of governance tiers in Europe and institutional forms at the local level, but these lack the capacity to process innovation policies (RIM, 2010). Apart from hard-infrastructure shortages, there is a lack of administrative structures and insufficient human capital to deliver these policies. This complex governance environment requires advanced operational and strategic skills and tests the capacity of government agencies and local actors to understand the nature of the problems faced in the knowledge-based economy and make the proper decisions (Head, 2011).

The aforementioned challenges lead to the so-called "regional innovation paradox". The richer regions are usually the leading innovative ones and are located close to large urban areas, where there is a high concentration of innovative actors. This leads to a spatial concentration of funding since those regions are able to capture more funds coming from the EU and state or private resources, both in actual or a proportion of GDP terms. Hence, these regional disparities will eventually increase in favour of the regions with better R&D performance and that can generate greater economic returns through innovation (Laranja et al, 2008). It is indeed a contradiction that the regions that need to be more innovative and invest more in R&D activities in the end perform worse than the richer ones, due to their lower fund-absorbance capacity (Oughton et al, 2002). Therefore, the innovation policy integrated in the EU's cohesion policy can act as a Trojan Horse for the convergence process.

4. The cases of Thessaly and Basse-Normandie

The fieldwork on the case studies has made it evident, in practice, the way different environments and administrative capacities influence the implementation of innovation policies and the harmonization with the European standards. The risk of rising inequality among European regions, due to their different reactions to the European innovation policy is discussed.

4.1. Methodology

Although one could argue that the innovation policies have a strong economic (quantitative) aspect, until the 2014–2020 programming period the Commission only used qualitative targets to assess their effectiveness.

For the purposes of this study, we have followed the so far qualitative approach of the Commission and developed an assessment methodology based on the collection of qualitative data via both semi-structured interviews with policy officials at the places of study² and official policy documentation analysis (Koukoufikis, 2014).

Firstly, we conducted a literature review and a regional and European documentation analysis from which we identified key concepts and theories concerning the elements that affect regional innovation policy performance and their respective sources. The synthesis of this information was used to build a conceptual framework and this led us to design an integrated questionnaire, which was constructed and used as the main methodological tool to interview key actors at the places of study.

The actors interviewed take direct or indirect part in the innovation strategy/policy design or implementation at the case-study sites and have deep knowledge of EU innovation initiatives. The interviews act as a tool that allows us to extract backstage data and identify many issues that would not be discovered otherwise, since they gave the opportunity to engage more with the local reality and the particularities of each case.

Along with the interviews, in order to comprehend the heavy complexity that characterizes the EU's policymaking for implementation mechanisms at the local level and the region's behaviour, systemic reading of various publications, policies and ex-post and ex-ante programme documentation at the regional level was carried out, as well as observation of funding allocation that has been made concerning innovation (see Appendix).

4.2. Framework of the analysis

Table 1 shows the elements identified that affect the integration of innovation policies in the European regions, along with their sources. Five main pillars are recognized and all the elements of influence are classified according to the spatial or governance level they refer to. This structure served as a basis to formulate the questionnaire used for the actors in the cases under study, but it also guides parallel research on policy documentation.

Table 1: Points of departure for the case-study analysis/ elements that affect the regions' innovation policy

Setting Priorities	Planning	Governance	Management	EU
Attitude towards innovation	Policy design	Main actors	Knowledge exploitation	Funds (importance & use)
Crisis & EU influence	Quantitative indicators	Partners (internal/external)	Crisis effects	Initiatives (monitor & input)
Regional power			Capacity	
Systems & networks (formal/informal)				

Source: Koukoufikis, 2014

²Names and competences of actors interviewed: Basse-Normandie: Zoe Buyle-Bodin: Project manager for the regional representation of Basse-Normandie in Brussels; Rachel Gandon: Head of European affairs and territorial cooperation for the region; Laurent Lecoour: European projects officer at the MIRIADÉ agency for Innovation & business development. Thessaly: Ioannis Toliás: Development consultant, member of the design team for the RIS3 strategy in Thessaly; Dimitris Kouretas: President of the Regional Innovation Council/ Vice-president of the University of Thessaly.

4.3. Selection of regions

In this sort of research, a common form of investigation is to observe similarities and differences in various EU members' regions with similar characteristics, concluding with generalizations that help to understand the experiences of all the EU regions which are in a similar position.

Two EU regions were selected to be used as case studies, Basse-Normandie in France and Thessaly in Greece. The areas selected are NUTS2 regions and their geographical and administrative borders coincide, making them compatible with EU policy standardization and statistical categories.

The selection was made according to conclusions extracted from the literature review and other prerequisites. Preliminarily, it was based on national conditions. It was first decided to leave aside regions from the newest EU members and select some from the oldest ones that could have been affected by EU innovation policies from the beginning of those initiatives in the early 1990s. Among these members, in order to explore the way the national context influences regional innovation, a "north-south division" was used to select the EU members with regions from which candidates could be selected. Hence, we ended up using as a case study a region located in the most developed North (France) and another from one of the traditional cohesion countries (Greece) in the South. Subsequently, for the selection of the specific regions in France and Greece, it was decided to exclude capital regions or regions that include in their perimeter large urban centres where the innovation dynamics are stronger. Among the remaining regions, the regions finally selected have as many common characteristics as possible in terms of geography, sociology, economy etc.

The Basse-Normandie region is one of the 26 regions of France. It is located in the north-west of the country and was created in 1956 after the official establishment of the French regional division. In 1982, the region gained increased powers after the decentralization reforms that took place in the country, while in 1986 the local government was directly elected by the people for the first time.

The region of Thessaly is one of the 13 regions of Greece. It is located in the central continental part of the country. The region existed as a geographic entity but gained administrative powers in 2011, after the decentralization reform that took place in Greece.


Both regional economies, when it comes to GDP per capita performance, are below the average of their national levels. Their primary and secondary economic sectors are strong and when it comes to innovation performance, both regions have been classified as "moderate innovators" according to the EU's "regional innovation scoreboard 2014" standardization.

4.4. Innovation in Basse-Normandie

The Basse-Normandie region has identified innovation as an important element that promotes regional development, making it one of the top priorities in regional policy (€ 160 m. were absorbed by the 2007–2013 ERDF targeting measures towards R&D and innovation promotion). This attitude is evident in the regional documentation and in the importance the administrative authority gives to innovation. Apart from the programmatic ground, the regional authorities are actively involved in innovation policymaking. The authorities realized quite early that innovation can assist in the region's development policy. They have a systemic approach and exploit regional and European funds for the establishment of structures that support innovation. The creation of MIRIADE (Mission Régionale pour l'Innovation et l'Action de Développement Economique) in 2007, a public regional agency to deal with innovation, is indicative of the importance attached to innovation.

In Basse-Normandie we observe a match between theory and practice, in the planning processes, the challenges faced, the targets set etc. The way in which innovation is integrated into regional policies and priorities allows us to state that the region's efforts to create an innovative environment move along a sustainable path. An integrated innovation strategy has been developed, establishing specific policies and fields of action. The regional government has the legislative and technical ability and sufficient human capital to design innovation policies and plan supportive actions.

The influence and dependence on the EU is evident but work in a complementary and supportive manner in terms of finance and policy-agenda formation. The additional responsibilities that have been assigned to the region for the design of the operational programme for 2014–2020 are seen



as both a challenge and an opportunity for more integrated development planning. The lack of data concerning innovation indicators and quantitative targets for evaluation of the performance of these efforts is an obstacle that is waiting to be tackled by RIS3 strategy initiatives.

As a threat to the region's capacity to innovate, some sociological and demographic factors have been identified, such as the inability to attract a specialized labour force to the region, youth migration and an ageing population. The global economic crisis, despite worsening the economic environment, did not affect the design of innovation policies, since the innovation-support structures were created and staffed before 2008. Furthermore, the region continued to fund these structures and various R&D projects smoothly. The non-public actors, although they faced problems and reduced their investment in R&D, did not change the positive attitude they had towards innovation.

4.5. Innovation in Thessaly

In Thessaly, there is a particular environment for innovation. There is a general denial of innovation, a shortage of innovation culture and a lack of basic innovative elements. This is observed in all the different tiers and actor categories, from the regional government to the universities and individuals in the private sector. EU initiatives are the only driving force and the only substantial source of funding for shifting the direction of the regional authorities' development planning towards innovation. In parallel, the region's large industrial units, mainly in the metal industry and food processing, have the same attitude, with limited investment in R&D.

The origin of the region's weaknesses stems from the lack of formal unified structures that could organize the various actors, reorganize spatial and operational innovation priorities and attract more funding. Evidence of that is the problematic way in which past EU programmes promoting innovation were handled. Besides the fact that the region took part in many programmes from the mid-1990s onwards, these remained virtually untapped and did not give any impetus to design and implement further actions. Furthermore, there is a lack of funding resources, apart from European funds. This primarily puts pressure on programmes that have been realized, but when the EU funds stop they disappear; and secondly this generates a narrow-minded culture, where the goal is the absorption of funds and not their sufficient management and allocation.

This situation may change in the near future since there are observable steps to activate various regional actors. Following the EU's RIS3 demands, the region formed a regional innovation council, which became responsible for the formulation of an innovation strategy. At the same time, the university is ready to take on a more active role, seeking opportunities and building informal networks of people with skills and knowledge who are ready to contribute. Those people, despite the objective difficulties, are trying to stimulate innovative elements in the region and work with the newly-established regional innovation council. These bottom-up processes find a response from the administration and that in itself is an innovation, given the region's environment. Moreover, the economic crisis, although it has worsened the framework conditions, contributes to the reversal of demographic trends in the region. Young well-educated people are returning to their place of origin and are ready to take risks and try out new ideas.

In conjunction with the above, four years after the establishment of the regional governance structure and increased responsibilities with regard to development planning, there has been an accumulation of experience by the public authorities. If further mobilization of public and private actors takes place, the new SmSp logic imposed by the EU and the funding opportunities that connected to the RIS3 strategy can serve as a basis for the creation of an integrated, operational regional-innovation system.

Table 2: Summary of the main elements influencing an innovative environment in the regions


	(+) Positive	(-) Negative
Thessaly	Bottom-up processes to establish a regional innovation network	No official structures supporting innovation
	RIS3 strategy mobilizes regional authorities to engage in innovation	Funding dependence solely on EU initiatives
		No coherent innovation strategy
		The crisis had no effect on the attitude towards innovation in both the public and private sectors
		No specialized personnel in the regional authorities to deal with innovation
		Minimal levels of R&D investment
		Inconsistency between the region's programmatic documentation and action
		Communication problems among stakeholders during RIS3 design
	Basse-Normandie	Existence of a public regional-innovation agency
Existence of an integrated innovation strategy		
Great importance attached by the regional authorities to innovation		
Funding independence		
The crisis prompted a positive attitude towards innovation		
Increasing proportion of the budget for R&D		
Advanced cooperation and knowledge-exchange network within the region and with other areas in the EU		
Sufficient human capital in the regional authorities to design and manage innovation policies		
Both	Innovation is a priority in the political agenda	Lack of data for innovation performance
	More well-educated youths remain in the region due to the economic recession	Socioeconomic and demographic limitations

Source: Edited by the author

6. Conclusion

The European regions have been actively involved in a process of integrating innovation into their regional policies. They recognize the need for innovation policies and try to align with the EU's cohesion policy, making innovation one of their top priorities. The way in which each region promotes and manages innovation is different and depends on the regional governance capacity, the political agenda and its attitude towards innovation and the general socio-economic context.

The latter has been confirmed by the two case studies we worked on. There we observed many local level parameters that create social threats or opportunities, forming the territory's potential to innovate: the ability and willingness of the regional authorities; the power to negotiate, plan and be financially independent; the way of handling European guidelines and actions; the behaviour of individuals, private companies and the academic and research community vis-à-vis innovation; variations in the economic environment.



Although a larger sample of regions would be needed to draw firm conclusions, we believe that the selected case studies can be seen as representative, reflecting the current situation in many regions across Europe. The regional-innovation paradox seems to be confirmed, since the more advanced French region already has the capacity to attract investment and funding for innovation, while the Greek region lacks such a mechanism. The paradox precisely highlights the challenges that the innovation agenda in the cohesion package has to face.


The least innovative and advanced regions, like Thessaly and other regions on the periphery of the EU, are vulnerable and have to take bigger but more cautious steps during their development policy design and implementation. Building or shaping structures to support innovation does not seem to be a matter of funding availability, but a matter of the sustainable and rational use of available resources. If the lagging regions delay or fail in the management of their resources, the cohesion policy's goals are at risk.

The cohesion and innovation objectives are not clearly compatible, and intra-European competition may intensify the disparities if, at the same time, the pressure from emerging economies is increasing. Now that the political taboo has been broken and high-ranking officials are speaking openly in favour of a multi-speed Europe, there is time pressure on the lagging regions. Of course this is not something that innovation policy alone can deal with. The whole of Europe's regional policy has to find a solution to Europe's major economic problems and work towards the actual harmonization of European societies, by providing all of their citizens with similar living standards.

It would be interesting to return to the case studies at the end of the next programming period in order to observe their progress and examine the performance of their policies and strategies. And at that point, that could be done in both qualitative and quantitative terms, since a series of quantitative targets for the EU's 2020 goals has been set by the regions.

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Appendix

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The contribution of European Union Structural Funds to the Developmental Strategy of the Region of East Macedonia – Thrace

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1. Introduction

In order to determine the developmental strategy which is being proposed for the Region of East Macedonia – Thrace (REMTh) (see Fig. 1), in the first part of this paper, proposals which have been formulated over the last twenty years are presented and evaluated. In the second part of the paper, to determine the developmental strategy served by the available funds, data for funded interventions in REMTh from 1994 to today are collected and evaluated. Specifically, data for 12,267 interventions (actions, projects) in REMTh were collected, with a total budget of € 5.323 bn, funded by the Second (B') and Third (C') parts of the Community Support Frameworks (CSF), the National Strategic Reference Framework (NSRF) and the national developmental programme "Theseus" (Botzoris & Koudoumakis, 2013a).

For each intervention, the title, final beneficiary, budget, location at county level (NUTS III) and field of the intervention were recorded in a database. The funded projects were classified into more than one hundred (100+) fields of interventions which were then grouped into sixteen (16) sectors of interventions (Accessibility, Environment, Entrepreneurship, Human resources, Rural sector, Education infrastructure, Digital convergence, Health and Social solidarity, Technical assistance, Integrated interventions for the development of urban and rural areas, Energy, Culture, Tourism, Fishery, Research and Innovation, Other).

Following the introduction in the first part of the paper, in the second part, the developmental strategies which have been formulated for the development of REMTh are presented and evaluated. In the third part, in relation to the developmental strategies formulated, the allocation of structural funds from the European Commission to REMTh from 1994 (B' CSF) to 2013 (NSRF) are presented and evaluated. Finally, in the fourth part, the conclusions of this study are presented regarding the contribution of EU structural funds to the development of REMTh.

Table 2: Summary of the main elements influencing an innovative environment in the regions



Source: Maps of the World, 2014

2. Developmental Strategy for the Region of East Macedonia – Thrace (REMTh)

2.1 Study of the Academy of Athens

The development of REMTh, in particular that of Thrace, systematically troubled the Greek State in the early 1990s when an Inter-party Committee was established, as part of the National Joint Council of the Hellenic Parliament to study the problems of, and make recommendations, for the development of Thrace. In the conclusion of the Parliamentary Report (1992), the key elements of an action plan relating to Thrace were presented, and in 1995 the Research Centre for Greek Society of the Academy of Athens elaborated a draft action plan entitled “The Development of Thrace – Challenges and Prospects” (Academy of Athens, 1995).

According to this plan, one of the main negative factors that contributed to inhibiting the development of the region, its geographical position, could be transformed from a comparative disadvantage to an advantage. Changes in the international scene, and particularly in the area surrounding the region, gave birth to new opportunities for Thrace, which is the natural end of a large inland area consisting of one part of the Balkans and Eastern Europe up to Russia and the entire Black Sea region. Thrace could be an exit to the Mediterranean for the aforementioned region and play a bidirectional role as a conjunctive ring. The exploitation of the comparative advantage of its geographical position would, however, require the organic integration of Thrace into existing and planned national and international transport networks. The construction of a modern transport network is a prerequisite for the closer integration of Thrace into the wider geopolitical area and confident northward growth.


The sure growth of Thrace requires, as a first basic step, the elimination of its geographical and communicative isolation, thus prioritising projects such as Egnatia Odos Highway, the port and airport of Alexandroupoli, and a rail link from Thrace to the European network, taking account of the first part of a Greek high-speed rail network in the section of the network between Alexandroupolis and Thessaloniki, through Kavala and Amphipoli, with branches extending to Nymphaea and Ormenio, and from there into Bulgarian territory.

It also suggested as a high priority the utilization and enhancement of human resources through the development of infrastructure in education and training at all levels. Particular reference is made to the role of the Democritus University of Thrace as a lever for regional development and, more specifically, it can make an important contribution to: a) the local economy, with the hiring of executives familiar with the needs of the region, b) population growth, with the possibilities for direct and indirect job placements, and c) scientific support for a positive (and Balkan) orientation for Thrace.

It has been recognized that the developmental potential of Thrace in the agriculture and tourism sectors is important but constantly assessed as being of minor importance, compared with other regions and national priorities. In particular, it is noted that the region of Thrace has all the elements (rich natural resources, extensive and fertile plains, suitable forage, adequate water resources etc.) to promote the development of internationally competitive agricultural production and the processing activities needed for agricultural produce. Furthermore, Thrace features historical and cultural elements of high value and importance, as well as areas of natural beauty (forests, beaches, lakes, habitats, mountains etc.) that can support and sustain the development of alternative tourism. It was estimated that the total budget required for implementation of the proposed action plan would be around € 3 bn over a decade (1991–2001).

2.2 Second Regional Operational Programme of REMTh for the period 1994–1999

The Second Community Support Framework (B' CSF), and particularly the Regional Operational Programme (B' ROP) of REMTh, was the main funding tool for implementation of the developmental strategy for REMTh for the period 1994–1999. Major objectives set for B' ROP REMTh were the lifting of its isolation and the holding back of the local population (Managing Authority of Eastern Macedonia – Thrace, 2003), but without specific reference to the concept of isolation beyond the geographical one. This weakness was identified by the consultants for the ongoing evaluation of B' ROP REMTh who proposed updating the developmental strategy in order to include multi-sector development, through exploitation of the inherent potential of REMTh and its geographical position at a national and, mainly European, level.



In particular, for the multidimensional and sustainable development of REMTh, a developmental model compatible with the geopolitical circumstances of the region was proposed, based on the fact that development might be able to offer a new status of transnational collaboration, as well as significant investment prospects capable of promoting the emergence of the strategic role of REMTh in the commercial, energy and tourism sectors. Towards for this new developmental strategy, there has been a proposal to gather all the available resources and organizational effort of REMTh and funnel them into the completion of infrastructure for the best utilization of transit and trans-European networks, and the provision of incentives for the development of all sectors in order to exploit the endogenous potential of REMTh.

At the same time, a radical increase in productivity is set as a key objective for REMTh, which has been ranking among the least-developed regions in the EU for many years. In particular, a rearrangement of the sectoral composition of employment was proposed, with a reduction in the primary and an increase in the tertiary sector, mainly due to the low added value per worker in the primary sector, but it was considered not to be feasible to implement the proposed developmental strategy through the univocal development of agricultural activities. This argument of the Second Regional Operational Programme of REMTh conflicts with a statement in the study of the Academy of Athens, according to which the developmental potential of Thrace in the agricultural sector is very important and underexploited.

It was recognized that REMTh, as a predominantly rural region, has rich natural resources, strong cultural traditions and privileged living conditions in relation to urban centres in the country, and it is, potentially, an important tourist destination, especially in relation to ecotourism. It had been estimated that the budget needed to achieve the objectives of REMTh's developmental strategy was about € 3.5 bn.

2.3 Regional Framework for Spatial Planning and Sustainable Development and the Third Regional Operational Programme of REMTh for the period 2000–2006

From December 1997 to December 1999, a period which coincided with the completion of the second CSF (B' CSF) and the beginning of the design of the programming period 2000–2006, the third Community Support Framework (C' CSF) and the Regional Framework for Spatial Planning and Sustainable Development (Ministry of Environment and Publics Works, 2003) were contacted toward the formulation of a multilateral developmental strategy for REMTh. The main priorities and strategic options for the integrated and sustainable development of REMTh were identified (with a 15-year perspective until 2015), along with the C' Regional Operational Programme 2000–2006 (C' ROP REMTh; Managing Authority of Eastern Macedonia – Thrace, 2001) and the complementary sectoral component of CSF funding, covering the medium term (2000–2006) action Plan of the Regional Framework.


In decisions of the Regional Council (June & December 1998, March 1999), a General Development Goal was set: "growth of the population with an emphasis on the smooth social integration of migrants and returnees based on exploiting economic potential and the diffusion of prosperity". In particular, it was stated that it sought to retain the existing population coupled with the integration of 20,000 to 25,000 new refugees who resided in and were professionally active in REMTh, as well as the return of internal and external migrants. A basic strategy choice was the "planned significant population growth" with a long-term (2015) target of 720,000 inhabitants.

2.4 Regional Operational Programme "Macedonia – Thrace" for the period 2007–2013

The process to design the National Strategic Reference Framework (NSRF) for the programming period 2007 to 2013 began in June 2004 and ended with its adoption by the European Commission on 30 March 2007.

Subsequently, on 26 October 2007 the Operational Programme "Macedonia – Thrace" 2007 to 2013 (Ministry of Development and Competitiveness, 2007), was approved; according to that, REMTh targeted convergence and in particular ensuring a high growth rate for Gross Domestic Product (GDP). Specifically, the developmental strategy concentrated on two choices:

- a) The first was to utilize REMTh's geographical position in order to maximize its benefits stemming from a series of important but external factors, such as the construction of a trans-European transport and energy networks. The connection of REMTh to road and rail trans-European networks,



as well as its emergence as an energy hub, would make it possible to transform the productive base of REMTh and result in the emergence of new dynamic sectors, e.g. logistics. A restructuring of the productive base of the REMTh would require the attraction of significant investment, which would be served by upgrading the transport infrastructure.

- b) The second choice was to exploit the endogenous developmental characteristics of REMTh which had not been sufficiently explored, e.g. the particularly rich natural environment that could be the basis for the development of tourism in mountain and rural areas, which would offer appropriate conditions for the creation of additional income and employment. This second choice also aimed to strengthen areas where shortages impacted on the quality of life and hence on the attractiveness of REMTh, with the most characteristic example being urban centres and the need to strengthen their role in the new context shaped by broader developments (entrance of Bulgaria and Romania to the EU, Turkey's gradual approach to the EU).

Via the possible deployment of two strategic choices, a developmental vision was formulated: "REMTh to become attractive to a wider economic area with geographical advantages and a rich supply of endogenous growth potential".

2.5 National Framework for Spatial Planning and Sustainable Development, 2008


The National Framework for Spatial Planning and Sustainable Development, (Ministry of Environment and Publics Works, 2007), whose purpose was to identify strategic directions for the integrated and sustainable development of the country for the next 15 years (until 2023), was approved in July 2008. According to the National Framework, the Balkans and the countries of EU-27 provide new opportunities for transnational cooperation with Eastern Europe and the Black Sea. In this context, REMTh has a significant role to play in the development of the North-Northeast developmental axis of the country in the Balkans, Central and Eastern Europe, thus contributing to the dynamic integration of Greece in international and European contexts.

The integration of REMTh into trans-European transport networks and its emergence as a new energy centre of the country constituted the growth strategy set out for REMTh. To achieve this growth, the strategy was designed to expand and continuously upgrade "Egnatia Odos", the trans-European road. Referring to air transport and airport infrastructure, the main international airport at Alexandroupoli should be upgraded in order to serve the increased needs that would arise in both the construction and operational phases of the oil pipeline and oil-terminal port (service personnel, crews of oil tankers, spare parts etc.). Regarding maritime transport and port infrastructure, the freight port at Alexandroupolis was characterized as an "International Water Main Gate-Port". It was proposed that it would be extended and upgraded into a specialized petroleum-terminal port (oil terminal) while still maintaining the original design for handling containers and bulk cargo. The port at Kavala was characterized as a "Port of International Interest and National Importance" and expected to provide specialized as well as general port infrastructure to the touristic development of the region and the country, mainly through the cruise industry.

The railway network of REMTh was characterized as a "Secondary Network", while the construction of a Rail Freight Centre (logistics) was proposed at Alexandroupolis. The key elements of an upgrade of the rail network in REMTh included the creation of a new rail link, Thessaloniki-Amphipolis-Kavala-Xanthi, expansion of connections with neighbouring countries and the major urban centres of the country, including private extensions to industrial-freight facilities (industrial area, freight centres, large industrial facilities, etc.). A railway to the port of Alexandroupolis was classified as a secondary priority and there was no reference to a railway link to the port of Kavala.

In the energy sector, use of the water resources of the river Nestos for the production of energy was proposed, and an investigation into the feasibility of supplementing existing oil refineries in the country with new facilities in Alexandroupolis, in conjunction with the construction of an oil pipeline that would link it to Burgas (Bulgaria). Also, the proposal included the integration of the gas network and the construction of new pipelines towards Komotini and Alexandroupolis, and other areas of high industrial activity. With regard to specialization in the basic guidelines for the development of key productive sectors of the economy in REMTh, the proposals mentioned below were developed:

- a) the conservation of agriculture and intensive farming, coupled with the protection of farmland;

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- b) retaining marble and crude-oil mining activities (with high concentrations in the prefectures of Drama and Kavala, respectively), which were recognized as being important categories of mineral resources with both cultural and commercial importance;
 - c) infrastructure that would meet the needs of organized receptors of industrial units in the zones of influence of urban centres (Drama, Kavala, Xanthi, Komotini, Alexandroupolis).

2.6 Integrated Development Programme of REMTh – LIPSOR Approach

In an effort to formulate an integrated and comprehensive developmental programme for REMTh, in June 2010, two scenarios were proposed based on the methodological approach of the LIPSOR (Laboratory for the Investigation of Prospects and Strategy) model (Sofroniadis, 2010). The first scenario dealt with the development of REMTh as an energy-trade centre in the Balkan range. In this scenario, REMTh by a) using its geopolitical position and in particular the European Union enlargement eastwards and the trans-European networks policy, and b) taking advantage of the significant public investment in port infrastructure in Alexandroupolis and Kavala, in transport infrastructure for connections to the trans-European axes, and in energy pipelines running through it, would be transformed into an international hub of energy, services, transport and transit trade. This would lead to major investment by foreign and domestic institutional investors, thereby achieving high growth rates. Moreover, in this first scenario, it was stated that REMTh put emphasis on the utilization of and transition to natural gas, which could transform it into an energy centre in the Balkans, and the utilization of geothermal energy, which is a valuable source of renewable energy, in which REMTh has a comparative advantage.

The second scenario made green development and entrepreneurship the main pillars of growth of REMTh, with technology as a tool for evolution in the multifunctional role of agriculture, with an emphasis on quality and competitiveness. In this scenario, the environmental culture was intertwined with the rational use of resources and the concept of quality across all sectors of economic activity in REMTh. The above should seek balanced development with technology, so as to contribute to environmental protection, green growth and green entrepreneurship. Also, REMTh would exploit the possibilities offered by natural gas, and especially renewable, geothermal, wind, solar and hydropower. REMTh would exploit the entire geothermal field, hence contributing to sustainable development, while offering a competitive advantage to businesses that would operate in the region to produce competitive products with lower production costs. The assessment of the two scenarios did not come up with a predominant one which should be implemented, but rather useful information to support decision-making with respect to effectiveness and efficiency measures and policy guidelines. It was reported, however, that "...the first scenario requires greater transformation of social and productive structures in comparison with the second one, which might be located closer to existing structures".

2.7 Operational Programme of REMTh 2012–2014 – Strategic Planning, 2012

With the implementation of the (New Architecture of Government Administration and Decentralisation) Programme "Kallikratis", the preparation of five-year Operational Programmes was established. These Operational Programmes include Strategic Planning, describing and assessing the current situation, the strategy of the region and developmental priorities. They also include Operational Planning, especially setting strategic goals and general objectives and then implementing measures and indicators to be achieved, by prioritising, during the following five years.

According to the Operational Programme of REMTh, the Strategic Planning which has been completed (Region of East Macedonia – Thrace, 2012) for East Macedonia – Thrace, utilizing its important geopolitical position, can play an important role in inter-modal transport, with the aim to emerge as a key point on the Balkan, Eastern European and Asian mainland. Typical is the report on the identity of REMTh as a transit centre-logistics and as an energy hub. According to the Operational Programme of REMTh, a dominant role in the implementation of the developmental strategy lies with the two ports of Alexandroupoli and Kavala, which with their combined transport interconnections with the Danube and the Black Sea, in addition to the completion of road and rail axes, could prove to be an attractive corridor to compete with the Bosphorus straits. It has also been suggested that all the financial tools should converge for the attainment of the aforementioned developments. Additionally, it had been argued that the rich development resources of REMTh, such as the strong identity of the major urban centres, i.e. capital cities, the natural environment and cultural resources, could see REMTh classified as attractive for thematic forms of tourism. This developmental vision coincides with that

of the Operational Programme “Macedonia – Thrace” 2007–2013, i.e. “making REMTh attractive to a wider economic area with geographical advantages and a rich supply of endogenous growth potential”. Having examined the developmental strategies which have been formulated for the development of REMTh, we proceed to the third section and the presentation and evaluation of the allocation of EU structural funds to REMTh.

3. Allocation of European Union Structural Funds to REMTh

3.1 Allocation of Funds by Sources of Funding

In order to determine the developmental strategy served by the available funds, data were collected and evaluated for 12,267 interventions financed in REMTh with a budget of € 5.323 bn from 1994 to the present date from the B' and C' parts of the Community Support Framework (CSF), the National Strategic Reference Framework (NSRF) and the national developmental programme “Theseus” (see Table 1). The funds, which accounted for 5.5% of the total funds directed to the country, from the above funding sources are consistent with the percentage of the population of REMTh (5.6%) but are less compared with the percentage of the territory occupied by REMTh (10.7%).

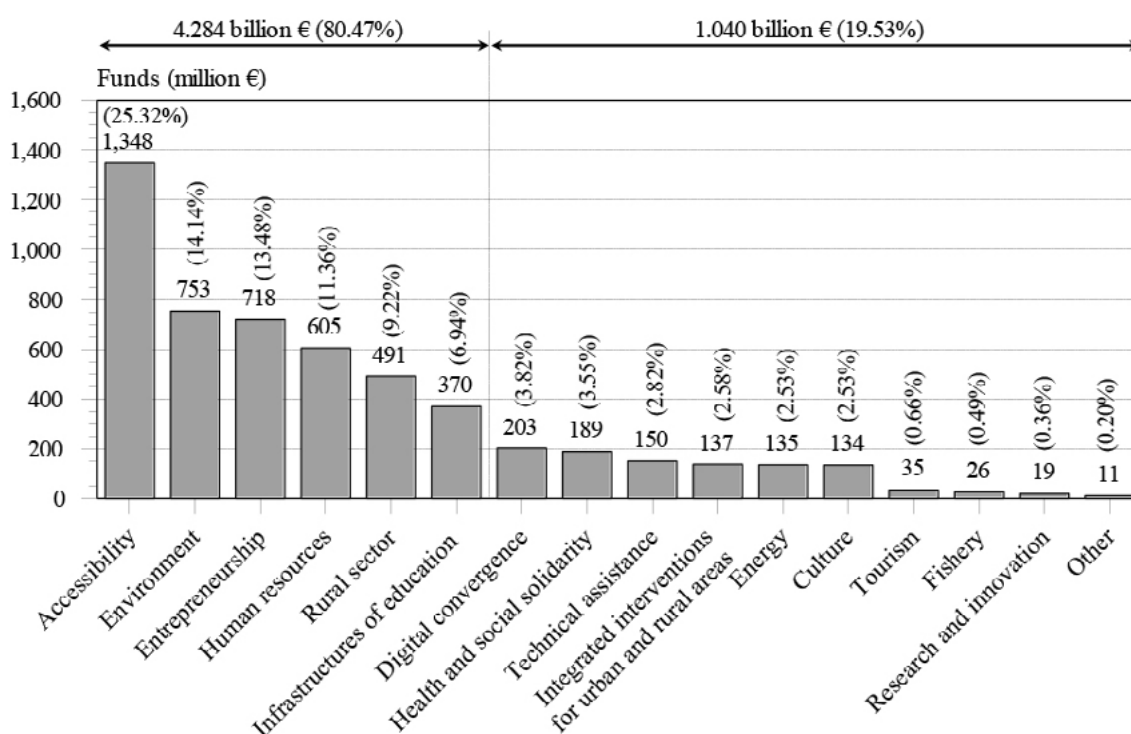
Table 1: Funds Allocation in REMTh by Source of Funding

Source of funding	Total budget €	Budget in REMTh €	Percentage of budget in REMTh	Number of interventions
B' CSF (1994–1999)	21,049,900,000	617,496,303	2.9 %	820
C' CSF (2000–2006)	41,160,315,470	2,497,824,875	6.1 %	4,285
NSRF (2007–2013)	33,513,990,107	2,133,472,165	6.4 %	6,560
THESEUS	1,059,466,983	74,570,290	7.0 %	602
Total	96,783,652,801	5,323,363,633	5.5 %	12,267

Source: Own processing, data from Monitoring Information System (MIS)

3.2 Allocation of Funds by Sector and Field of Intervention

The allocation of funds by sector of intervention is shown in Figure 2.



Source: Own processing, data from Monitoring Information System (MIS)

Evaluation of the data shows that in the sector of accessibility, the largest amount of available funds was allocated directed to REMTh, i.e. € 1,348 bn (25.3%). After that comes the sector for environmental protection with € 753.0 m. (14.1%) and the development of entrepreneurship with € 717.5 m. (13.5%). Also, significantly strengthened are the sector for human-resource development and the rural sector, with € 604.7 m. (11.4%) and € 490.8 m. (9.2%), respectively. Including the sector for education infrastructure, which was boosted with € 369.6 m. (6.9%), the above six sectors account for 80.5% (€ 4.284 bn) of the total available funds directed to REMTh from parts B' and C' of the CSF, the NSRF and the programme "Theseus". In contrast, in research and technology, a fund of only € 19.4 m. (0.4%) was allocated and to fisheries and tourism less than 1% was allocated of the available funds of REMTh, at € 25.9 m. and € 35.0 m., respectively.

Further analysis of the allocation of funds by field of intervention is presented in Table 2.

Table 2: Funds Allocation in REMTh by Field of Intervention

Field of intervention		Budget of intervention €	Percentage of budget of REMTh
Accessibility			
1	Railways	57,658,089	1.1%
2	Motorways (TEN-T)	690,426,744	13.0%
3	National roads	151,345,839	2.8%
4	Regional/Local roads	334,215,161	6.3%
5	Airports	19,673,830	0.4%
6	Ports	81,344,422	1.5%
Environment			
7	Management of domestic and industrial waste	98,389,005	1.8%
8	Management and distribution of water	198,349,915	3.7%
9	Treatment of water (sewage)	272,590,428	5.1%
10	Prevention of danger (flood-prevention work)	59,937,241	1.1%
Enterprise			
11	Private investment	551,237,238	10.4%
Rural sector			
12	Management of aquatic resources – Land-reclamation work/ redistribution	350,703,706	6.6%
13	Investments in the agricultural exploitations	86,170,973	1.6%
Infrastructure for education			
14	Democritus University of Thrace	80,077,841	1.5%
15	Technological Institute of Kavala (REMTh)	23,284,181	0.4%
Total of field of intervention		3,055,404,614	57.4%
Total		5,323,363,633	100.0%

(*) As a percentage of the total budget for projects.

Source: Own processing, data from Monitoring Information System (MIS)

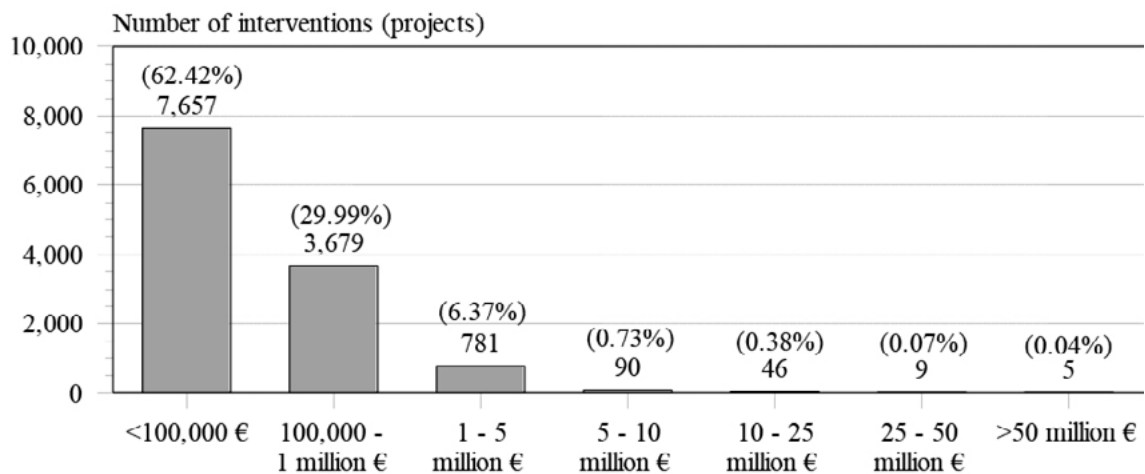
Evaluation of the data shows that € 690.4 m. (13.0%) was directed to the construction of highways within the trans-European road network (TEN-T), i.e. the "Egnatia Odos" (including the vertical axes). The funding of private investment interventions through special initiatives covered by "investment law" follows with € 551.2 m. (10.4%), and developmental infrastructure in rural areas, such as land reclamation and construction of dams and irrigation networks, with € 350.7 m. In order to upgrade local and regional roads in REMTh, € 334.2 m. (6.3%) was allotted, while € 272.6 m. (5.1%) was invested in water-treatment projects. There is a significant enhancement for water management and distribution which were financed with a total budget of € 198.4 m. (3.7%) and the national road

network upgrade was funded via interventions with a total budget of € 151.3 m. (2.8%). In contrast, upgrading of airports, the rail network and ports in REMTh consumed only € 19.7 m. (0.4%), € 57.7 m. (1.1%) and € 81.3 m. (1.5%), respectively. Likewise, the sector of household and industrial waste management received relatively low financial aid (€ 98.4 m. or 1.8%). Finally, in the field of education, projects of € 80 m. (1.5%) were financed in support of the Democritus University of Thrace (DUTH) and another € 23.3 m. (0.4%) went to the Technical Institute of Kavala.

3.3 Interventions per budget group in REMTh

In order to determine the most important interventions (in terms of budget) of parts B' and C' of CSF, the NSRF and the programme "Theseus" in REMTh, which have been financed from 1994 to the present date, the totals for 12,267 interventions are grouped into seven subgroups according to their budgets as shown in Figure 3.

Figure 3: Number of interventions per budget group



Source: Own processing, data from Monitoring Information System (MIS)


Specifically, in the first subgroup which includes interventions with a budget of less than € 100,000, 7,657 (62.42%) interventions are classified; in the second subgroup that includes interventions with a budget of € 100,000 to 1 m., 3,679 (29.9%) interventions are classified; and in the third subgroup which includes interventions with a budget of € 1–5 m., 781 (6.37%) interventions are classified. Following these are subgroups with budgets of € 5–10 m., € 10–25 m., € 25–50 m. and over € 50 m. (with 90, 46, 9 and 5 interventions respectively, and 0.7 %, 0.4%, 0.1% and 0.04% in percentage terms).

4. Conclusions

From the above analysis, it is evident that there is an absence of a comprehensive long-term plan (at least for two decades) for the development of REMTh to cover all the economic, social and environmental sectors, coupled with a corresponding prioritisation of interventions. The individual interventions (spatial frameworks, operational programmes, community framework) are characterized by general directions, a limited time horizon and restrictions not only regarding the amount of available resources but also concerning the type of interventions that will be funded, since they are being prepared in accordance with the eligibility rules of each programming period (Botzoris & Koudoumakis, 2013a). There was an attempt to cover this deficit via "Kallikratis", according to which, the regions should develop operational programmes whose purpose is to promote the identity of each region, formulate developmental priorities for all sectors and identify interventions for realizing this vision.

Through evaluation of the proposals put forward in the last twenty years for the development of REMTh, two basic developmental strategies are found:

- The first is the emergence of REMTh as a transit and energy hub, by exploiting the comparative advantage of its geographical position; and
- The second relates to development of the primary sector and alternative tourism by exploiting the



rich potential of the endogenous dynamics in these sectors (natural resources, extensive and fertile plains suitable for forage, adequate water, geothermal fields, historical and cultural elements of great interest, areas of remarkable natural beauty, such as forests, beaches, lake habitats, mountains etc.).


The first strategic option, i.e. the emergence of REMTh as a transit and energy hub, has been proposed in the long run by almost all the official studies that have been formulated for the development of REMTh. Furthermore, both B' ROP REMTh (1994–1999) and the basic guidelines for the design of the 2000–2006 programming period proposed setting as their main objective a drastic increase in productivity by restructuring the sectoral composition of employment through a reduction in the primary growth of the tertiary sector, which would substantially limit the function of the second growth strategy. In contrast, a comparative evaluation of the two development strategies (Sofroniadis, 2010) indicates that the second is closer to the existing structures of REMTh, if compared with the first, which requires a greater transformation in the social and production structures of REMTh.

In order to propose diversification in the developmental strategy, which will be based on improvement in the economic conditions for the inhabitants of REMTh via the enhancement of endogenous capacities, whilst at the same time ensuring social cohesion and environmental protection, the following should be taken into account (Botzoris & Koudoumakis, 2013b):

- a) the emergence of REMTh as a logistic hub with characteristics suitable for development of the rail network with a new dual electric line via Kavala, a complete upgrade of the existing substandard rail network, the connection by rail of areas of economic interest, and equal competitive development of the two ports of Kavala and Alexandroupolis requires funds in excess of € 2.5 bn, while the timetable for the completion of all these interventions cannot be less than 20 years. It should be noted that all projects funded in REMTh via the Operational Programmes of the NSRF add up to € 2.1 bn. Furthermore, taking into account the fact that available resources are limited (the funds available from the new "ESPA 2014–2020" for REMTh are approximately € 500 m.), we arrive at the result that in the case of selection of this development strategy, potential interventions in other areas are minimized;
- b) the emergence of REMTh as an energy hub in the form of transportation – the transit of energy resources (gas, oil) – is not consistent with the character of endogenous growth that is desired for REMTh, since in the case of an interruption to the source of supply of the energy networks it would be necessary to redefine the development strategy. For example, in the General Framework for Spatial Planning and Sustainable Development (Ministry of Environment and Public Works, 2007), the feasibility of implementation of almost all the proposed interventions is documented and linked to the construction of the Burgas-Alexandroupolis pipeline. A typical example is the development of the international airport at Alexandroupoli, with the purpose being "...to serve the increased needs that will arise both during the construction phase and the operational phase of the oil pipeline and oil terminal port (service personnel, crews of oil tankers, spare parts, etc.)". Therefore, it is easily understandable that non-implementation of this project would have a direct impact on the strategic development of REMTh and would lead to its amendment;
- c) the existence of key infrastructure is necessary but not sufficient for robust and outward evolution in REMTh. It had, erroneously, been taken for granted that the completion of major infrastructure projects would attract foreign investment, contribute to the development of the private sector and enhance interregional, cross-border and inter-communal trade. The critical current socio-economic conditions and the limited available funds require priority-based interventions aimed directly at restructuring and strengthening the production process, with emphasis placed on the primary sector and exports.

Nevertheless, from an assessment of the allocation of funds directed to REMTh via B' CSF, C' CSF, the NSRF and "Theseus", it becomes apparent that there is a concentration in excess of 80% (€ 4.284 bn) of available funds in six fields of intervention (accessibility, environment, entrepreneurship, human resources, agriculture and education infrastructure). The main intervention, funded in REMTh with € 690.4 m. (13.0%), concerns the construction of the "Egnatia Odos" highway motorway and its vertical axes. Of all these projects, 98.8% are low-budget, i.e. less than € 5 m., and in particular 62.4% are less than € 100,000, which documents the implementation of small and regional scale interventions.

The allocation of funds is partly justified by the very large hysteresis of REMTh in the basic infrastructure for accessibility, environment and education, as well as the need to develop and retain its very multi-



cultural human resources and to boost entrepreneurship. The vast majority of interventions are characterized as “easy and standardized”, in other words categories of interventions for which there is relative maturity and experience in implementation (local roads, water supply, sewerage, schools, buildings, anti-flooding etc.).

The developmental strategy concerning the promotion of REMTh as a logistics centre and an energy hub has not been achieved by the funded interventions, since for the key component of a transit centre with the emergence of a rail network, airports and ports in the region, just 3.0% of available resources were allocated, while for the energy sector it was 2.5%. In conclusion, for the period from 1994 up to today, it is mainly basic infrastructure projects of regional scope that have been funded in order to address the geographical isolation and containment of the population; it is estimated that these targets have been mostly achieved since the construction of “Egnatia Odos” which relieved the geographical isolation of REMTh; and the population of REMTh increased from 570,000 inhabitants in 1991 to 607,000 in 2001, which has remained constant (606,000 inhabitants) according to the census of 2011.

The limitation of available funds necessitates a prioritization of needs and approval for priority-based interventions that contribute directly towards the achievement of the developmental goals of REMTh. It is vital to study and implement large-scale projects that will have a multiplier effect on the development of the Region (Technical Chamber of Greece – Branch of Thrace, 2012). Also, there is a need to monitor all the interventions carried out in REMTh, regardless of the source of funding and the final beneficiary, via a public system that includes the monitoring of interventions, not only in terms of budget but also the level of output and effect indicators.

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The Law of Unintended Consequences: Greek Civil Society and the EU Structural Funds

Asteris Huliaras and Sotiris Petropoulos

Organized civil society in Greece is weak in relation to most other west European countries. The 2005 CIVICUS Survey noted widespread apathy and a lack of civic engagement among Greek citizens and underlined that institutionalized civil society organizations are few and poorly organized; consequently, they have little impact and limited influence (Sotiropoulos & Karamagioli 2006). This bleak picture is shared by most observers. In the words of an analyst: "every social scientist studying civil society in Greece or documenting and measuring social capital at the societal level (...) agrees that [Greek] civil society is cachectic, atrophic or fragile" (Hadjiyanni, 2010: 20). In an introduction to Greek politics, Keith R. Legg and John M. Roberts argue that "if a latter-day de Tocqueville were to visit Greece, he would not conclude that Greece is a country of joiners" (Legg and Roberts, 1997: 198).

Why is Greek civil society weak? For many analysts, the most important factor that explains this weakness is the dominant role of political parties. Throughout the post-junta period, trade unions, student associations and even cultural organizations were affiliated to a political party. Mouzelis and Pagoulatos (2005) claim that Greek civil society has been the victim of "partitocracy", i.e. parties "colonizing" the associational sphere and leaving very little space for autonomous civic engagement. The CIVICUS survey also makes the same argument, i.e. that political parties have "absorbed" social demands and aspirations in a way that no civil society organization could match (Sotiropoulos and Karamagioli, 2006).

However, in the last two decades, in Greek civil society's engagement and activities have increased. Several studies have noted that the number and strength of voluntary organizations started to increase from the late 1980s onwards. Many new NGOs were formed, civic activities became more numerous and people devoted more time and money to social activism – especially in informal ways. For political scientists the explanation of this growth can be attributed to the decline of "partitocracy": the grip of political parties loosened somewhat in the second half of the 1980s, leaving more space for voluntary organizations (Mouzelis and Pagoulatos, 2005). Others have noted that this is a wider phenomenon reflecting an increased awareness of social and environmental issues and, more generally, a rise in so-called "post-materialistic" values in the Western world (European Commission, 2010: 8).


Although we do not reject these explanations, we do argue in this paper that the reported gradual rise of civil society in Greece was largely linked to EU funding to NGOs and other civil-society organizations.

EU and NGOs

The EU is an important financial contributor to civil-society organizations. It is, however, not easy to calculate how much funding goes to NGOs each year, largely because of the variety of bureaucratic agencies that manage these funds through a multiplicity of programmes. Recent estimates indicate a possible figure of around € 1.5 bn per year. According to a New Direction report (2013: 10), "In 2008 at least €1 billion and in 2009 at least €1.4 billion were allocated to NGO projects by just four of the Commission's agencies: EuropeAid, the European Community Humanitarian Office (ECHO), the DGs Environment (ENV) and Education and Culture (EAC)". However, very little is known beyond that. Two analysts have concluded that:

...we know extraordinarily little about who these groups are that receive financial support, where they come from, what they stand for, how much the Commission supports them, and the balance or bias in that support. (Mahoney and Beckstrand, 2011: 1340)

A preliminary analysis of the available data gave surprising results and shows that the Commission does not fund civil society groups in member states at the same rate or level. It seems that it prefers to fund pan-EU organized groups which, however, tend to be based in Western Europe. As a result, funding for groups in Eastern and Southern Europe, where civil society is weaker, is, in comparison, much less (Mahoney and Beckstrand, 2011: 1358). One of the reasons for the reported dysfunctionality in the



distribution of EU funding is related to an existing information gap regarding funding opportunities which has widened in areas with less strong civil-society organizations. In fact, dissemination events have been largely left in national hands – one mechanism being the various “Europe Direct Offices” that operate across EU member-states. But again, in most cases, the results have been mediocre as such initiatives have largely failed either to inform or to mobilize small organizations that understand EU funding processes, which are rather complex and inaccessible.

Nevertheless, an interesting case is found when assessing the statistics of proposals submitted to the “Europe for Citizens Programme: Action 2 – Active civil society in Europe / Measure 3: Support to projects initiated by civil society organisations”, one of the simplest mechanisms for funding NGOs of any kind and size by the EU. While the expected pattern of most applications in the yearly calls being submitted by NGOs from old EU member-states is confirmed, quite interestingly, the number of applications from Hungarian organizations is rather high, on average approximately 80 applications, circa 15–20 per cent of total yearly applications. EC officials responded that they were unaware of the reasons behind this development (interview with EACEA officials, April 2014).

Grants are awarded to approximately 3,000 NGOs at the EU level. EU-funded programmes represent a very significant source of funding for European NGOs and other civil society organizations, leading some analysts to argue that, due to their reliance on EU support, they have become the “EU’s puppets”. This funding has also become crucial for the existence of EU agencies. Commission officials concede that many DGs would not have survived without the support given to European civil-society organizations (Salgado, 2014: 337). Indeed, since 1992, when the “An open and structured dialogue between the Commission and interest groups” document highlighted the willingness of the EC to be open to external inputs, the EC-NGOs relationship evolved considerably. Among other things, the EC views NGOs as being (a) contributors to policymaking due to their specific expertise, (b) facilitators of European integration and (c) agents for fostering participatory democracy. Hence, to generate the maximum benefit from this relationship, the EC is continuously supporting NGOs across the EU by various means, including the distribution of various grants (EC Discussion Paper, 2000/011).

Civil society organizations funded by the Commission included mainly pan-European groups that voice the concerns of excluded citizens. For example, Brussels has supported organizations like AGE Platform Europe, the European Anti-Poverty Network, the European Network Against Racism, the European Disability Forum, the European Federation of National Organizations Working with the Homeless and others (Salgado, 2014: 347). These organizations received 75–85 per cent of their budgets from various Commission DGs. The organizations funded by the Commission have highly formalized structures and professional staff with expertise in specific policy areas. Interestingly, while most European funding to NGOs is project-based, the EC also provides operating grants, i.e. funding covering operational costs. Such funding though is only designated to European umbrella organisations and networks with members in at least eight eligible countries, and to organisations performing activities that have a broad impact on Europe and are active in at least eight eligible countries. On the other hand, more spontaneous nation-based civil society initiatives have encountered difficulties in obtaining EU funding (Salgado, 2014: 350).

EU funding for Greek NGOs

Unlike transnational NGOs, most national voluntary organizations do not have direct contact with Brussels. They obtain their funds and grants from the European Social Fund, the European Refugee Fund or Community Programmes, such as LIFE or EQUAL, indirectly – through the national authorities in charge. Thus, it is even more difficult to calculate the EU funds that were directed towards Greek NGOs through the national framework programmes. However, the rather fragmented available data give an idea. The 3rd Community Framework in Greece (2000–6) funded 1,470 NGO projects to fight unemployment with total payments of € 40 m. NGOs were also eligible beneficiaries for the Leader (19 m.) and Interreg (54 m.) programmes. Considerable funding was also directed to cultural NGOs (54 m.). The National Strategic Reference Framework (ESPA) for 2007–13 was even more generous to civil-society organizations. For example, funding for “community service” (directed through NGOs and trade unions) for 2007–13 was about € 183 m., women’s NGOs were granted 3.7 m. and so on.

Table 1 Support for NGOs (2000–13)


2000-2006 3rd Community Support Framework		
Programmes in which NGOs were the sole beneficiaries :		
1.	Unemployment and NGOs:	40 m. (1,470 projects)
2.	Other NGO Activities	20 m.
3.	Environment and NGOs:	1.1 m.
Programmes in which NGOs were eligible beneficiaries :		
1.	Programme Leader:	19 m.
2.	Interreg:	54 m.
3.	Cultural Activities:	48 m.
2007–2013 National Strategic Reference Framework		
Programmes in which NGOs were the sole beneficiaries :		
1.	Women's NGOs:	3.7 m.
2.	Community Service:	183 m.
Programmes in which NGOs were eligible beneficiaries :		
1.	Primary sector:	20 m.
2.	Improvements in productivity:	2.1 m.
3.	Social structures:	9.3 m.
4.	Employment of women:	9.8 m.
5.	Employment policies:	15 m.
6.	Social Intervention:	40 m.
7.	Worker Training:	8.5 m.
8.	Unemployed Training:	25 m.
9.	Culture:	27 m.

Source: Calculations by the authors

EU programmes have been very important in raising public awareness on certain issues. For example, the LIFE programme was instrumental in creating an environmental movement in Greece. LIFE aimed, among other things, to strengthen the participation of NGOs in the dialogue process in environmental policymaking and its implementation. Since its launch in 1992, a total of 213 projects have been financed in Greece with strong participation by NGOs. Of these, 144 have focused on environmental innovation, 65 on nature conservation and 4 on information and communication. These projects represent a total investment of € 284 m., of which € 149 m. has been contributed by the European Union. LIFE gave a great boost to environmental awareness in Greece and helped environmental NGOs to develop their capacity and attract public support. Kallisto, for example, quite an active Greek environmental NGO, which was created as early as 2004, has expanded its operations based on a continuous inflow of LIFE-related funding - more than € 1.77 m. between 2009 and 2013.

Funding for NGO poverty-alleviation projects, especially in relation to marginalized groups, like Romas, has also been crucial, with tens of thousands of beneficiaries throughout the country, and this has helped to raise public awareness on minority issues. EU support for NGO activities for refugees and asylum-seekers has been instrumental in making the Greek public view the rising number of migrants more positively and the Greek state cope more effectively with the situation.

Following the EU's decision to promote the participation of social partners in both the interventions-formulation process and Actions' implementation, the Greek government, or more specifically the Structural Funds and Greek Managing Authorities have adopted a cautious and at times hesitant approach towards cooperating with NGOs. Since the 1993–9 programming period, NGOs have gradually been invited to share their views on forthcoming actions in at first, to be frank, poorly designed public-consultation processes. On the other hand, NGOs involvement in Actions' implementation has




been more direct with various Calls including them on the eligible applicants' list or (most commonly in more recent programming periods) constituting them as the sole eligible applicants. Interestingly, during the current financial crisis, more funding has been diverted to actions which include NGOs such as Local Employment Plans (TOPSA) and Local Action for Vulnerable Groups (TOPEKO). The main driver of such initiatives is the expectation of creating local alliances and hence leveraging resources and thus, leading to multiple and measurable results. Many Greek NGOs have found these two programmes to be a great substitute for the decreasing funding from individual donors. EPSEP (€ 800k+), DAFNI (€ 300k+), POLINOI (€ 600k+), NOSTOS (€ 900k+) and other NGOs focusing on vulnerable social groups are among those that have received significant funding via their participation in the TOPSA and TOPEKO programmes.

There is no doubt that EU funds have greatly supported Greek NGOs and organized civil society in general. Several organizations with weak structures and little experience of how to manage funds and implement projects have learned how to set objectives and respect timeframes, organize their offices and manage their human resources, fundraise and evaluate their activities. Voluntary organizations with little capacity, weak structures and limited project experience have developed the ability to plan and act in structured ways, set targets and build networks, and communicate effectively with the public and the media. Public-awareness campaigns funded by the EU helped to mobilize citizens, attract volunteers and make local and national authorities more responsive to civil society's demands. In short, EU funding has been successful in strengthening the capacity of existing organizations helping them to cooperate with public institutions and the private sector and build and maintain international networks. In short, the EU has succeeded in strengthening the growth and supporting the empowerment of organized Greek civil society.

EU requirements to apply sound management and bureaucratic procedures are based on a laudable effort to promote accountability, efficiency and transparency. However, the result has been to impose on civil-society organizations a business organizational model that does not encourage citizens' participation and engagement. The weakness of Greek civil society, the lack of alternative funding and especially the loose legal framework have made matters worse. Greek NGOs have been demanding for many years that the government create a central register of organizations in order not only to keep track of who is receiving funds but also to see who deserves to be funded. Some ministries have created their own registers, but without imposing any kind of serious evaluation (Kathimerini, 2012). Not unexpectedly, rent-seeking activity increased. The proliferation of "voluntary organizations" linked to a consultancy made self-regulation of the sector difficult. And as newly-formed organizations linked to or well-connected with certain politicians multiplied, it became more and more difficult for legislators to impose a tighter legal framework.

Although, initially, European funding through national authorities favoured organizations with political contacts, it gradually shifted to the most established and efficient ones. This trend became more apparent in the 2000s as requirements became stricter – including the need to provide financial guarantees, the refusal to accept financing in kind and expectations of regular reporting. Large Greek NGOs gradually became the main beneficiaries while smaller ones with limited budgets and inadequate organizational capacity found it harder and harder to obtain grants. This reflected a general tendency throughout the EU, especially after 1999 when financial scandals forced the Santer Commission to resign (Salgado, 2010: 514).

EU funds in Greece created a dependency culture at two levels. First, as a well-known NGO manager of a large Greek NGO told the authors, "the availability of EU funding made NGOs indifferent to other funding opportunities" (especially from private foundations, the general public and private business – through Corporate Social Responsibility initiatives). Thus, they were largely indifferent when it came to communicating their activities and initiatives to the wider public. In turn, this meant fewer volunteers, weaker civic engagement and a gradual disconnection from their original founding visions. Secondly, the Greek state found it convenient to "delegate" whole sectors of social provision to NGOs. Social care for drug addicts, asylum seekers and the management of national parks gradually became the total responsibility of EU-funded (through state agencies) NGOs. For example, in the case of drug addiction, the state was instrumental in creating government-owned NGOs such as KETHI and OKANA that allowed politicians and state officials to "escape their responsibility". Likewise, Iatriki Paremvasi, an NGO focusing on health issues created in 2004, received more than € 2.47 m. between



2011 and 2014 and acts as a regular sub-contractor of the state, having taken on the responsibility for the provision of health services to several vulnerable social groups.

The availability of EU funding has also affected the priorities of NGOs. ARSIS, for example, a Greek NGO formed to support youth, gradually expanded its agenda to include migrants and asylum-seekers, for which funding was more readily available. This is a typical example of so-called “goal succession”, which implies that in order “to increase their resources, NGOs shift their emphasis away from their original goals to adapt them to public donor priorities” (Salgado, 2010: 519).

Moreover, EU funds have endangered NGOs’ independence. NGO members became unwilling to criticize government policies publicly. They focused instead on contacting politicians and public servants, regularly visiting government offices and trying to influence priorities and persuade officials about the need to “support civil society”. NGO boards and staff became less and less critical of the state and its policies and abandoned advocacy for service provision. New and old NGOs became sub-contractors of national policies.


In short, the growth of the NGO sector was uneven, short-lived and possibly unsustainable. Activities largely reflected the availability of funding and project cycles. Civic organizations became more numerous and stronger but the generous funding created adverse incentives, blurring the distinction between profit and non-profit activities and between volunteers and professionals. Some NGOs were simply created to win EU funds. Consultancies presented themselves as NGOs. Local authorities created “pseudo-NGOs” in order to create job positions for the unemployed with EU funds. So-called “stamp” NGOs were hastily formed without proper structures (e.g. without boards of directors) but with the sole purpose of submitting proposals for funding. Many NGOs that started out as voluntary associations were transformed into service-providing agencies competing with corporations to secure market share in EU-funded civil society “business”.

Within NGOs, professionalization meant a shift of power from volunteers to experts and professionals. The participation of citizens and the mobilization of local society were put on the back burner and the need to hire experts became a priority. Several big Greek NGOs began to look more and more like consultancies, with fundraising departments, press and communication officers and a hierarchy that looked more like a well-organized business than a bottom-up initiative.

With EU project funding, NGOs rented new offices and hired professional staff. However, without permanent financing, they were obliged to maintain a permanent proposal writing and reporting capacity in order to secure a constant flow of funds. Combined with projects’ short timeframes, this pushed them to engage in opportunistic behaviours and chase after everything that might provide funding. And they devoted considerable efforts to build, maintain or strengthen political connections or acquaintances with powerful individuals that could help them secure the success of their proposals. EU funding opportunities acted as a disincentive to make long- or medium-term plans. The dependence on external resources created pressures and feelings of insecurity among NGO staff. In turn, this had a negative effect on their morale, undermined productivity and created difficulties in personnel recruitment. Many highly-qualified professionals who were initially recruited by NGOs to manage EU projects did stay on until the end of their project periods but then moved to a consultancy or a public-sector position that offered more job security (Interview with a member of an NGO who wishes to remain anonymous, Thessaloniki, October 2014).

On the other side, the lack of coordination between state agencies that managed EU funds led to extensive project overlap, the duplication of activities and projects that worked at cross-purposes to each other. In sharp contrast to direct EU funding of NGOs that reflected a clear philosophy based on the model of associative democracy, the Greek state did not have a clear objective. Funds were shifted from environmental projects to migration and from women’s empowerment to Romas without a clear or sustained strategic framework. In turn, this created a fragmented and ever-changing milieu, with NGOs growing in funds and personnel for the short timeframes of projects and then, unable to support their activities, becoming rubber-stamp institutions with no offices or activities (Interview with a “Thales-Evaluation of Greek NGOs” project researcher who wishes to remain anonymous, January 2015).

As Greek NGOs gradually adopted the agendas and priorities of the managing state agencies, they developed a “dependency culture”, failing to introduce strategic planning into their work and ignoring



the need to mobilize citizens. External funding acted as a disincentive to create or maintain their own domestic networks. In turn, this affected their accountability. The “upward” accountability of NGOs to the EU and responsible state agencies increased at the expense of their “downward” accountability to their members and the broader society. There is a wider debate about the inability of NGOs to maintain their grassroots accountability while gradually expanding and growing. While it is logical to expect that as an organization becomes more professionalized (in order to secure more funding) it becomes more isolated from its base, in some EU member countries the state itself intervened to curtail such development. For instance, some countries require NGOs of any size to generate at least one part of their yearly revenue (25 per cent in the case of Belgium) from private donations, in essence pushing them to maintain at least some financial connection with their initial base (Interview with Prof. Molenaers, Antwerp, 2 March 2014).

In the Greek case, with no proper legal framework, it could be argued that the more financial support was given to NGOs, the less active they became in building their own bases of popular support. The result was a politically enfeebled civil society which lacked the capacity to deliver sustainable solutions and develop alternative political agendas. As an activist put it to the authors, “Greek NGOs resemble trees turned upside down, with roots found in the place of branches, taking nourishment from the EU and the state instead of citizens.”

The clientelistic networks of NGOs and state agencies that managed EU funds undermined the autonomy of Greek civil society even more. NGOs have become very closely attached to the party system and the state in order to secure funds. As Frangonikolopoulos has argued based on quantitative research by Alexandros Afouxenidis,


...the majority of NGOs have established and positioned themselves in the centre, both in geographical terms (with 90 per cent in Athens) and in terms of establishing an even closer relationship with the dominant institutional framework (with 70 per cent situated and operating in areas close to governmental offices and the Parliament). (Frangonikolopoulos, 2014: 610)

In turn, this generated public suspicion and mistrust of NGO work. A number of scandals led to negative publicity: NGOs were considered “Iamogia”, the Greek equivalent of American “tricksters”. Generalized and negative reporting increased the suspicion and mistrust of the public even towards NGOs that did good work (Frangonikolopoulos, 2014: 616). As NGOs competed fiercely to win contracts for all sorts of projects, they ended up accusing each other of being unreliable, useless or even “dirty” – in fact confirming the negative media reporting.

In short, EU funding for Greek NGOs, despite its good intentions, did not encourage the development of grassroots organizations and a civil society with a vision and a sense of mission. Civil-society organizations, championed in theory as agents of associative democracy, were groomed in Greece to be service-providers or sub-contractors. In the end, EU funding for NGOs hindered rather than fostered the formation of a more open and democratic civil society, a society that could act as a counterbalance to the arbitrariness of state institutions and the dominance of political parties.

Conclusion

In Greece, a good idea, i.e. to strengthen a weak civil society and thus promote associative democracy through providing financial support to civil society organizations, led in several ways to the opposite result. In fact, it created a rent-seeking civil society and in several respects distorted its supposedly non-profit structure. This paper has argued that EU funding for Greek civil society organizations confirmed the so-called “law of unintended consequences”. According to that law, an intervention in a complex system always creates unanticipated and often undesirable outcomes. Taken to the extreme, the law predicts perverse effects that are completely contrary to what was originally intended. As Irving Kristol noted: “I have observed over the years that the unanticipated consequences of social action are always more important than the intended consequences.” In this paper, we have argued that EU funding for organized Greek civil society in effect undermined in many respects its ability to attract volunteers, increase social solidarity, promote trust and develop spontaneous grassroots movements, in short create an “autonomous sphere” that could strengthen the quality of democratic institutions. In several respects, EU funding undermined civil society, creating a widely held perception



that volunteers are naive 'romantics' and that NGOs and other civil society organizations are just another clever way to make easy money.

Indeed, the economic crisis affected the development of Greek civil society. Sotiropoulos and Bourikos have argued that the receding welfare state encouraged civic engagement and mobilized Greek civil society. Though state support for NGOs diminished, new organizations were formed and older ones became more active in providing social services to both migrants and impoverished Greeks. Moreover, "informal social networks and self-help groups emerged and became active in [the] exchange and distribution of goods and services, healthcare, education, food and shelter provision, offering simultaneously a more critical view towards the state and seeking alternative forms of social organization" (Sotiropoulos and Bourikos, 2014: 52). Perhaps the crisis now offers an opportunity: the dependency culture that was created in previous years by EU funding to NGOs, imposing adverse incentives on advocacy and constraining NGO independence and autonomy, may at last have started to wane.

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A case of ritual compliance? Role of European Structural Funds in the shaping of Greek employment policy (1995–2008)

Yiorgos Ioannidis

1. Estimation of the dependence of Greek employment policy on European funds

European funding plays a fundamental role in the shaping of Greek employment policy. However, quantifying its impact is not an easy task, since neither OAED nor ESYE/ ELSTAT (Greek Statistical Service) publishes relevant data on a regular basis. Nevertheless, a rough estimation can be made by combining data from multiple sources (i.e. State budgets, budget of the OAED, Ministerial Decisions on employment programmes, evaluation and progress, etc.).


Table 1 presents an estimation based on data extracted from the annual budget of the Hellenic Manpower Organization (OAED) for the period 1989 to 2008. These figures should, however, be treated with reservation, since the OAED has a bad habit of changing the structure of its annual budget, which does not facilitate temporal comparisons. In any case, as seen in Table 1, from 1986 to 2006, European funds accounted, on average, for 41.8% of the total expenditure on Active Labour Market Policies (ALMP), i.e. recruitment subsidies, vocational training, entrepreneurship promotion and measures to promote participation in the labour market of special population groups such as youths, women, people with disabilities etc. To be more specific, European funding covered 55.7% of the total ALMP expenditure from 1989 to 1993 (1st CSF), 41.2% from 1994 to 1999 (2nd CSF) and 41.7% from 2000 to 2006 (3rd CSF).

Table 1: OAED's budget funding from EU resources (years 1989-2006). In mil of drachmas up until 1999, in mil of euros from 2000 onwards

	OAED's total revenues	OAED's total expenditure	Expenditure on ALMP			Expenditure on benefits	Operational costs & other types of expenditure	Total ESF inflows*	OAEDs ESF funding		
			TOTAL	minus expenditure from LAEK, ELKA, ELPEKE	LAEK, ELKA, ELPEKE expenditure				In mil.	as % of ALMP minus LAEK/ ELKA	as % of total ALMP
1989	96.285,5	96.285,6	25.913,9	25.913,9	-	53.745,5	16.626,1	39.914,0	7.846,0	30,3%	30,3%
1990	112.887,0	112.887,0	28.923,6	28.923,6	-	65.081,0	18.882,4	56.369,0	-	n.a.	n.a.
1991	168.782,0	187.932,0	51.060,8	51.060,8	-	107.477,5	29.393,7	63.505,0	33.615,0	65,8%	65,8%
1992	209.239,0	239.897,0	67.069,9	67.069,9	-	136.558,8	36.268,3	69.972,0	39.605,0	59,1%	59,1%
1993	234.094,0	234.094,0	72.701,1	72.701,1	-	126.674,4	34.718,6	109.394,0	43.383,4	59,7%	59,7%
1994	263.080,1	263.080,1	70.466,0	70.466,0	-	150.170,0	42.444,1	131.300,0	48.728,3	69,2%	69,2%
1995	296.534,8	296.534,8	92.971,6	64.041,6	28.930,0	153.248,5	50.314,7	66.500,0	39.500,0	61,7%	42,5%
1996	319.419,3	301.149,3	100.368,3	69.123,9	31.244,4	153.636,8	47.144,2	69.100,0	40.000,0	57,9%	39,9%
1997	358.525,5	399.927,3	128.307,9	95.508,6	32.799,3	218.539,1	53.080,3	89.500,0	40.000,0	41,9%	31,2%
1998	377.902,9	377.750,0	136.632,8	102.321,0	34.311,8	185.638,5	55.478,7	128.500,0	45.000,0	44,0%	32,9%
1999	430.134,9	394.400,0	147.736,9	111.250,9	36.486,0	180.462,0	66.201,1	211.265,0	60.000,0	53,9%	40,6%
2000	1.502,1	1.395,0	586,7	468,6	118,1	570,9	237,3	679,0	290,8	62,0%	49,6%
2001	1.422,2	1.404,8	564,4	427,4	137,0	615,8	224,6	248,0	68,5	16,0%	12,1%
2002	1.660,3	1.547,8	630,3	450,9	179,4	689,0	228,6	361,0	386,3	85,7%	61,3%
2003	1.894,7	1.652,2	696,9	525,6	171,3	686,8	268,5	584,0	220,0	41,9%	31,6%
2004	2.132,1	2.088,3	747,4	556,3	191,1	937,2	403,7	640,0	431,5	77,6%	57,7%
2005	2.258,8	2.129,8	836,3	630,6	205,7	939,7	353,9	576,0	425,6	67,5%	50,9%
2006	2.452,7	2.385,2	1.001,0	782,1	218,9	1.021,2	363,0	552,0	438,9	56,1%	43,8%

Sources: OAED Annual Budget.

*, Ministry of Finances, Annual State Budget of the corresponding year



It should be noted that according to other sources of data, the aforementioned numbers underestimate the importance of European funds. For example, according to OAED's 1988 Budget (p. 13), European funds covered 55% of the total expenditure on employment programmes (in our estimation the figure for that year is only 31%). Secondly, according to OAED, the funds received from the 1st Community Support Framework (CSF) accounted for 73% of total ALMP expenditure (OAED, 1994: 53). Our estimation is 55.7%, but it is not clear if OAED calculates national participation as well. Finally, in a report of the European Commission to the Council and the European Parliament (COM (2000) 16 final), it is stated that the European Social Fund covered 58.4% of total ALMP expenditure in Greece (our estimation for the corresponding year is 49.6%).

It is most probable that the aforementioned estimation discrepancies result from the data used corresponding to different time periods. For instance, although the 2nd CSF typically covered the period from 1994 to 1999, in practice the disbursement of the funds was characterized by a time lag (say for example 1996–2001). Consequently, the "average community funding of the Greek ALMP during the 2nd CSF" does not coincide with the "average community funding of OAED's budget on ALMP from 1994 to 1999". Another reason justifying estimation discrepancies is the fact that ALMP in Greece is not funded solely by the ESF and is not implemented solely by OAED. For example, a number of innovations in the labour market – e.g. entrepreneurship promotion in rural areas – were funded from ERDF through programmes implemented by the Ministry of Development or Finance. Nevertheless, apart from those discrepancies, all of the estimations conclude that the role of European funds in the implementation of employment policy in Greece is fundamental.

Analogous estimation problems arise when analyzing the employment outcomes (beneficiaries and job creation) of co-financed programmes. The data presented in Table 2 are drawn from multiple Greek official documents and reports of the EU (these numbers too should only be treated as pointers towards general trends, since the estimation methodology used by the Greek authorities is not mentioned). An alternative estimation is depicted in Table 3. These data are extracted from Ministerial Decisions on employment programmes for the period 1982–2009. It should be borne in mind that the data in Table 3 refer to the total number of potential, and not actual, postings.

Once again, despite estimation discrepancies, it is quite striking that the number of annual declared potential postings, through direct job-creation programmes, corresponds to 32.3% to 668.8% of net employment growth for the corresponding year. Taking into account the fact that almost all of these programmes were co-financed by EU funds, it is more than obvious that employment policy in Greece absolutely depends on European funding.


Table 2: Number (persons) of potential postings through direct job creation programs

Year	Total	Job subsidies	Entrepreneurship promotion (subsidies for self-employment)	Stage programmes	Other programmes	Total Employment	Net employment effect
1982	21.194	20.000	-	-	1.194	3.491.300	-38.000
1983	28.764	25.000	-	-	3.764	3.532.127	40.827
1984	16.575	14.000	-	-	2.575	3.549.359	17.232
1985	21.751	15.000	-	-	6.751	3.581.856	32.497
1986	27.318	19.500	1.100	-	6.718	3.597.613	15.757
1987	29.378	18.700	5.409	-	5.269	3.595.474	-2.139
1988	44.873	29.900	5.120	-	9.853	3.654.837	59.363
1989	40.347	29.700	6.793	-	3.854	3.667.431	12.594
1990	34.077	24.138	7.748	-	2.191	3.716.732	49.301
1991	21.533	16.000	5.533	-	-	3.630.857	-85.875
1992	16.840	12.000	4.840	-	-	3.683.038	52.181
1993	17.823	14.000	3.823	-	-	3.715.363	32.325
1994	36.383	28.700	7.683	-	-	3.786.157	70.794
1995	51.350	40.900	10.450	-	-	3.820.510	34.353
1996	72.600	58.000	14.600	-	-	3.868.283	47.773
1997	60.000	44.700	15.300	-	-	3.853.335	-14.948
1998	25.820	18.020	7.800	-	-	4.023.676	170.341
1999	86.997	48.634	12.903	22.500	2.960	4.040.371	16.695
2000	134.176	85.349	18.540	20.000	10.287	4.097.875	57.504
2001	35.688	6.282	2.182	23.000	4.224	4.103.211	5.336
2002	39.623	6.699	2.460	25.000	5.464	4.190.175	86.964
2003	65.083	30.000	-	30.000	5.083	4.286.561	96.386
2004	22.200	13.000	4.500	4.700	-	4.330.497	43.936
2005	51.903	30.500	4.900	16.503	-	4.381.936	51.439
2006	44.160	14.171	5.182	24.691	116	4.452.817	70.881
2007	47.530	18.156	6.100	22.370	904	4.519.854	67.037
2008	38.809	22.741	4.718	10.436	914	4.582.544	62.690
2009	109.244	64.695	25.549	19.000	-	4.531.900	-50.644

Table 3: Community funds and Greek labour market

	1st CSF (1989-1993)	2nd CSF (1994-1999)	3rd CSF (2000-2006)
Number of persons on direct employment creation programs	110,171 ⁽¹⁾	210,000 ⁽²⁾ 214,054 ⁽³⁾	154,014
Jobs created due to CSF programs at the end of the CSF	50,000	50,000-100,000	245,065
Sources: (1): OAED 1994, 53-56 (2): Ministry of Labour n.d., 8 (3): Program supplement of the O.P. Employment and Vocational Training, http://www.prosonolotahos.gr/default.asp?pid=8&lang=1			

Regarding the reasons underlying this dependence, one can look at the structural inefficacy of the unemployment protection system. The system of employment insurance in Greece only covers a small proportion of the unemployed, whereas unemployment benefit itself is quite inadequate to shield against poverty. Due to the eligibility criteria for unemployment benefit, according to which only those who have been regularly employed in the past for a relatively long period of time are eligible



to receive it (Papadopoulos, 2006), the most populous groups of the unemployed are excluded, namely: (a) the young unemployed with no work experience who have not yet established the right to unemployment benefit and (b) the long-term unemployed who have exhausted the maximum time period for its payment. These unemployed categories constituted, on average, 72.2% of the unemployed population during the 1980s, 77.4% during the 1990s and 73.8% during the 2000s. A direct consequence is the low percentage of unemployed receiving unemployment benefit (Fig. 2): just 5.4% during the 1980s, 7.4% in the 1990s and 12.3% in the 2000s. At the same time, the proportion of previous income covered by the benefit is one of the lowest in Europe.

The minimum protection offered to the unemployed, combined with the government's unwillingness – due to the significant budgetary cost – to extend the coverage rate of unemployment benefit, created a strong incentive to adopt policies that could act as a substitute for unemployment benefit. The policies funded by European funds constituted a promising alternative, especially in those cases in which it was possible to “passivise” active policies. Vocational training programmes serve as a good example of this practice. The extension of those programmes functioned as a substitute for unemployment benefit due to the training compensation they provided to their trainees. It is a substitute that is financed by community resources as opposed to unemployment benefit that is funded by national resources. Eventually, this practice resulted in “recycling” a great number of unemployed trainees in training programmes – a practice of which the Greek Manpower Employment Organization (OAED) was well aware according to the former Director of OAED Vocational Training Mr Yiannis Aivaliotis (Ioannidis, 2013). For instance, Dimoulas (2005: 227) points out that at least half of the unemployed who were trained from 1981 to 1998 did not receive unemployment benefit, while Kritikidis (n.d.) mentions that at least 20% of the unemployed who attended some kind of vocational training at the Vocational Centre of the General Confederation of Greek Workers (GSEE) had already attended similar programmes in the past.

2. Two cases of ritual compliance

2.1. Job subsidies and Stage programmes

The “Stage” programmes are programmes targeting the unemployed with no previous work experience. Consequently, their primary aim is young people but also specific population groups that face problems entering the labour market. A typical Stage programme will provide part-time employment (usually 5–7 hours daily) for a period of 6–12 months. Since the total compensation of beneficiaries is covered by OAED, a Stage programme minimises the wages cost, making it much more attractive to businesses than hire subsidies.

In the Greek version, Stage programmes were marked by a serious distortion in terms of their targeting and function. The first Stage programme was launched in 1999 (YA 33685, FEK 1443b / 13.07.1999) and involved the recruitment of 2,500 people up to 30 years old to the healthcare system. In essence, the programme was an attempt to provide a short-term solution for the understaffed healthcare system in a period of fiscal adjustment which did not allow the recruitment of regular staff (interview with Miltiadis Papaioannou, Minister of Labour at that time, Ioannidis, 2012).

However, this solution also presented powerful political advantages. The most important was bypassing the ASEP (Supreme Council for Civil Personnel Selection) procedure which is the formal procedure for getting a job in the public sector. Via this practice, whoever had the “right” connections was to be placed as a stagier in a Public Organisation. Given the fact that a placement in a stagier position could result in proper hiring, the beneficiaries for their part regarded their recruitment as a forerunner of being appointed as established staff in the public sector. The success of the project was assured and after a while another two massive Stage programmes were launched (20,000 jobs in 1999 and 20,000 jobs in 2000).

Ultimately, Stage programmes evolved into a massive mechanism for bypassing ASEP procedures. This mechanism functioned as follows: initially a number of people were placed as stagiers in Public Organisations or Ministries for a period of twelve months up until 2002 and eighteen months after 2002. Just before the expiry of the programme, the duration of the programme was extended by ministerial decree for another 12–24 months. After completion of this extra period, ASEP announced a competition for the hiring of candidates by the aforementioned institutions. Even though this “competition” was open to everybody,

according to its terms, a participant with two years of prior work experience in a “similar field” was granted extra points. So the ex-stagiers were top of the candidates list and were appointed as permanent staff. The first to introduce this system was the PASOK government; however, the mechanism grew enormously during the period of the New Democracy administration. From 1999 to 2008, a total of 184,000 Stage job vacancies were created (Table 4): 57% in institutions of the public sector, in Local and Regional Authorities (OTA) and Public-controlled Social Security Organisations; 16% in private companies; and 29% in both the private and public sectors, the vast majority of which were in the public sector.¹ The Manpower Employment Organisation (OAED) employed at least 3,000 stagiers, a number equal to 25% of its personnel. Additionally, out of 86,000 Stage vacancies that were announced from 1999 to 2004, 74,000 were in the election years of 1999, 2000 and 2003.


The political dimension of the Stage programmes is obvious. Thus, although after 2007 the EU virtually stopped financing these programmes, the number of stagiers did not decrease. The political benefits were so extensive that the expenditure was covered by public funds (social security organisations, local and regional authorities, ministries). At the end of 2007, it was widely known that the only function of these programmes was the reproduction of clientelism. In 2010, on the eve of the economic crisis, the newly-appointed director of OAED, Dr Elias Kikilias, criticised the previous management of the Organisation by stating that “they wasted the reserves of the Organisation on pseudo-programmes, such as the Stage ones” (Kikilias, 2010).

Table 4: Stage program postings by year

Year	Num. of postings	Co-financed by EU funds	Financed only by national funds
1999	22.500	76,823 (87%)	11,463 (13%)
2000	20.000		
2001	8.300		
2002	4.100		
2003	17.037		
2004	4.700		
2005	13.533	16,962 (27%)	45,525 (73%)
2006	23.141		
2007	19.491		
2008	14.086		
2009	27.270		
TOTAL	174.158		
Postings under PASOK administrations		42%	
Postings under ND administrations		58%	
Number of Stage beneficiaries in public sector programmes		57%	
Number of Stage beneficiaries in postings in private sector programmes		16%	
Number of Stage beneficiaries in public & public sector programmes		27%	

As far as recruitment subsidies are concerned, Table 4 demonstrates that from 1981 to 2008 the number of subsidized jobs constituted a large part of net job creation.

¹The allocation of Stage placements is as follows: Ministry of Health 23,100; Ministry of Culture 8,600; Ministry of Employment 4,000; Ministry of Environment, Physical Planning and Public Works 3,220; Ministry of the Interior 2,324; Ministry of Education 913; Ministry of Development 500; Ministry of Finance 250; Ministry of Defence 251; Local and Regional Authorities 37,300; Public-controlled Social Security Organizations 7,000; Chambers of Commerce 1,200; State General Accounting Office 120; General State Archive 560. Last but not least, the organization “Athens 2004” was favoured with 23,000 job vacancies.



In other words, the direct job-creation programmes did not actually create new jobs, they merely reduced the labour cost of jobs that, either way, would have been created anyway. In particular, according to the studies available,² the wage-subsidy ratio was kept at a high level, fluctuating from 50% to 100%; the majority of companies that participated in these programmes were small or very small companies (EKKE & EEO 2001, PAEP 2004, European Commission 2005), and according to them, by participating, they improved their competitiveness by decreasing the cost of labour (EKKE & EEO 2001, Chletsos and Kaminioti 2006). There were also cases of programmes being tailored to the needs of companies and not the needs of the unemployed.³ In short, the extensive employment subsidies constituted a mechanism for decreasing the labour cost, especially in small and medium enterprises, which were the main users of these programmes. This mechanism was part of an informal strategy implemented to preserve the competitiveness of these companies, which otherwise would have suffered from the liberalization of economy and its opening up to international competition. On the one hand, these programmes were ineffective in answering the needs of the unemployed. However, they were exceptionally “effective” when it came to decreasing labour costs in less competitive small and medium companies.

That explains the fact that although for 28 years the shortage of statistical monitoring and evaluation had been noted by all the institutions involved (both national and European), no real effort has been made to confront the problem. The lame statistical monitoring allows the unobstructed reproduction of the political economy that the employment programmes created, namely the reproduction of relations among the political elites, companies and institutions that were assigned the task of implementing employment policy.

2.2. Vocational training


A vocational-training policy was introduced in Greece due to the pressure exercised by the EU, but it was implemented in such a way that it served the domestic political economy. The seven laws and dozens of ministerial decrees issued from 1989 to 2004 reflect the effort made by the state to control but also foster the development of that particular market and the conflict of interests among the main actors, as well as the tensions generated by the constant pressure of the European Union.

From 1989 to 1996 there was a significant increase in the funding of vocational training programmes. In fact, vocational-training expenditure rose from 0.04% of GDP in 1987 to 0.24% in 1990. This rise can also be gleaned from the number of trainees, which increased from 360,000 during the first CSF to 550,000 during the second one (OAED, 1994: 56; Vretakou and Rouseas, 2002: 34). Nevertheless, in spite this unprecedented increase, no systematic effort was made to create an official register of the institutes/ centres implementing those programmes; and the legislative framework made no provision at all for the basic requirements of infrastructure, training, equipment or human resources (Karalis, 2003: 16). As a result, even sport clubs and Holy Metropolises implemented vocational training programmes within the framework of the first CSF (General Secretariat for the Management of Community and Other Resources, 2007: 28). However, this did not generate any problems at all vis-à-vis the absorbency of EU funds; on the contrary, the relevant Operational Programme of the second CSF demonstrated the highest rate of absorbency of all the operational programmes of the CSF (Ministry of Labour, 2001: 23).

The absence of any system of control or certification led to the emergence of large numbers of companies operating in the field of vocational training. The precise number of these “institutes” is unknown and fluctuates from 3,500 (Economic and Social Committee of Greece, 1988: 2) to

²Karantinos, 1989; Misyri, 1989; Athens University of Economics, 1993; Centre for Economic Policy Studies, 1994; OMAS LDT, 2001; EKKE and EEO, 2001; Ministry of Labour and Social Affairs, 2002; PAEP, 2002; 2004a; 2004b; 2004c; 2004d; 2005a; 2005b; Urban Management, 2004; European Commission, 2005; Center for Women’s Studies and Research, 2006; VFA, 2007; Ombudsman, 2007; General Secretariat for Community and other resources, 2007; Dimoulas and Michalopoulou, 2008; OAED, 2008a; 2008b.

³In 2005 two huge programmes were announced. The first one targeted retailing companies that employed up to three employees and granted twenty months of subsidized employment for 10,000 unemployed people. The second one was aimed at companies with less than 50 employees and granted twenty-one months of subsidized employment for 7,800 new employees. However, there was no specific reason for subsidizing employment for 10,000 people who would work in small retailing businesses (apart from the pressure exercised by the proprietors of those businesses), as there was also no specific reason for subsidizing 7,800 people to work in small businesses (apart of course from the pressure exercised by the businesses themselves).



1,200 (Papadeodosiou and Stavrou, 1993: 42). The bottom line is that the first two CSFs created a demand for vocational training services, which private companies hastened to satisfy, either autonomously or as subcontractors. At this stage, the “poor organisation” of the monitoring system has an underemphasized “consistency”. The absence of any controls resulted in a waste of resources, but at the same time it allowed the emergence of a “critical mass” of private vocational training companies. Nowadays, everybody agrees (e.g. Karalis and Vergidis 2004; Efstratoglou, 2004; Palios 2003; Kokkos 2005; 2008; Doxiadis et al, 1993; Vergidis et al, 1999; Karalis, 2003; UNESCO, 1997; 1999) that this situation led to a large expansion of vocational training without any relevant improvement in the effectiveness and quality of the services provided.


The pressure for rationalization of the vocational training system initially came from the European Commission which demanded that only certified centres should be eligible to implement co-financed training programmes (European Commission, 1994: 63–64). The realization of this obligation was a prerequisite for the unhindered funding of the whole OP for employment. Nevertheless, the criteria adopted by the Ministry of Labour aimed only at the exclusion of freelance one-man training “centres”. The certification process was carried out by a 4-person committee with no administrative support and no mechanism for checking the validity of the dossiers submitted by the vocational centres. In practice, the 1994 certification targets were limited to excluding only virtual companies. At the end of the process, 481 Vocational Training Centres (KEK) in total – including 332 private ones – were certified. Even so, the inability to check “beyond the paper” permitted even nightclubs to be certified as vocational centres (Dimoulas, 2002: 130). Given the above, it is no surprise that in 1996 a European Commission inspection resulted in a 2-year financial “freeze” of the Operation Programme as a form of pressure on the government to develop a new and functional certification system (Amitis, 2000: 98).

In 1997 a new certification round was launched with new criteria and processes. The new criteria prevented at least half of the 481 previously certified KEKs from applying. In total, 296 dossiers were submitted out of which 262 were successful (149 from the private sector). It is worth mentioning how the resources of the second CSF were used in the process of cleaning up the market: public expenditure on vocational training programmes skyrocketed just before the suspension of the relevant Operational Programme in 1997, and again just after its implementation in 1998. In other words, it was something like a “payment in advance” and a “payoff” to the proprietors of the institutions for the investment they had made. At the same time, during the period 1994–1996, more than 200,000 people participated in vocational training programmes, out of which 80,000 were trained in private vocational centres (Karantinos et al, 1997: 36). In practice, this meant 100% utilization of private training centres’ capacity for at least two years, given that after the 1997 certification, the total training capacity of the vocational institutes reached the level of 35,000 trainees per year.

To cut a long story short, the same procedure was also followed in the 2001 and 2003 certification rounds. Each time the certification criteria were made a bit stricter in order to clean up the market; restrictions concerning the numbers of sub-offices and thematic fields were revised upwards in order to help the remaining companies grow. The successive certifications gradually reduced the number of vocational training institutes from 3,500 (1989–1993), to 481 in 1994, 262 in 1997 and 283 in 2001.

The third period is one of liberalization of the market (2005–), since all the restrictions of the past concerning the minimum and maximum numbers of sub-offices, thematic areas and the legal form of vocational centres were cancelled. Nonetheless, the government retained a significant tool in order to promote its targets according to the number and size of KEKs and the allocation of training programmes among the KEKs. It was only after 2010 that this tool was to be gradually withdrawn after pressure from the larger companies. The “training vouchers” which unemployed users can use in any KEK of their choice resulted in the first TV advertisement by a KEK in June 2010. The outcome is the present-day structure of an ongoing vocational training system which numbers 274 certified vocational centres with 540 certified educational structures.

However, the scope of the vocational training programmes has not changed; they remain focused not on the needs of trainees but on those of the vocational centres. After 2005 there was a considerable increase in the programmes targeting workers in comparison to the ones directed at the unemployed (in the period 2007–2009, just 28% of programmes targeted the unemployed compared to 40% of programmes in the period 2003–2005), due to the fact that potential worker-trainees can be easily



tracked down; in contrast, in the case of the unemployed, vocational centres should track down the unemployed, and organise and implement appropriate policies, such as employment promotion, monitoring the integration of participants into the labour market etc.

In general, training the unemployed is more expensive and requires greater organisational and managerial potential. On the other hand, training programmes for the unemployed were limited to areas in which training centres had previous experience and implementation was relatively cheap. The majority of programmes are mainly related to two fields of training: informatics and economics management. Moreover, the significance of these thematic areas has increased over the years, from 55% of programmes from 2003–2005 to 64% from 2007–2009.

From 1994 to 2009, the number of KEKs decreased, but their average size grew considerably. Additionally, in contrast to the number of vocational centres, the number of vocational training programmes doubled from 8,800 in 2003–2005 to 16,064 in 2007–2009 (EKEPIS 2006, 2008, 2011). However, the effectiveness of those vocational programmes remained low (General Secretariat of Community Funds, 2007; Lamans Ltd, 1999; Kokkos n.d., 2008; EKPA, 2005).

The absence of public intervention during the first phase (i.e. the period of capital accumulation), as well as the weak certification criteria during the first half of the second period (that is the controlled clearing of the market), is often used to demonstrate a well-known organisational problem and the “special” ways of Greek public administration. Respectively, the attempts to rationalise the system through successive certification cycles are described as a process of gradual maturing.


Nonetheless, from a political-economy perspective, what matters is the latent functionality/ rationality of intervention absence during the first period, as well as the latent rationality of increased intervention after 1997. From the government’s perspective, the political benefits of giving out money without specific criteria are more than obvious and they need not be further explained. But, it should be noted that the most important benefit for the state was that it managed in part to deal with the insufficiency of unemployment benefit which excludes the majority of the unemployed (in the long term due to depletion of the maximum period of assistance, and for youths due to the fact that they do not meet the minimum requirements), since the vocational training programmes, which included payment for the participants, acted as a substitute for the unemployment benefit. Secondly, the lack of evaluation and certification criteria provided a temporary flexibility that allowed higher rates of EU funding absorption.

3. Transformation of the Greek economy, the gradual emergence of a new structure in employment and the dual dimensions of EES impact

Summarizing the arguments presented so far, two factors, namely the transformation of the Greek economy and the activation of EES, formed a broader framework within which Greek employment policy was developed and implemented.

3.1. Transformation of the Greek economy and the gradual emergence of a new structure in employment and the labour market

The years from 1980 to 2006 constitute a time period of fundamental changes to the Greek economy and labour market. In 2008, real Greek GDP was 82% “larger” than in 1980, growth that occurred almost entirely after 1995. During the same period, the Greek economy was transformed into a “service economy”, with a complementary manufacturing sector and a marginal agricultural one, a change that became evident in the sectoral composition of employment as well. Moreover, the major change in the structure of the labour market is relevant to the “boom” of salary earners, from 50% of total employment in the early ‘80s to 65% in 2008. Nonetheless, the established business culture did not allow any room for alternative strategies regarding profit-making, other than the squeezing of labour costs (Ioakeimoglou, 2011). At this point, the first tension/ contradiction can be observed. At a time when real wages were increasing as a result of economic growth, maintaining low labour costs was the dominant business strategy for ensuring profit-making. This was the first contradiction that employment policy was asked to resolve. The way it actually did this is the political economy at issue.



This political economy can be approached on the basis of three types of interventions: recruiting subsidy programmes, Stage programmes and vocational training policy. Recruiting-subsidy programmes functioned as a mechanism for keeping labour costs low, the Stage programmes reproduced clientelism by creating a back door into the public sector, whereas vocational training policy ensured a broader social consensus as it benefited a wide range of “players” (political elites, private companies, the unemployed and social partners). On the bottom line, all these policies aimed at diminishing the tensions arising from the liberalization of the economy, and therefore they ensured the necessary social consensus for the unobstructed implementation of a modernizing agenda. In that sense, the phenomenal irrationalities of Greek employment policy can be explained by noting the “latent consistency” or “latent rationality” of this policy, namely its potential to absorb the social tensions which were generated by the radical transformation of the economy.


3.2. Dual dimensions of EES for Greek employment policy – final remarks

The impact of EES on Greek employment policy presents two conflicting dimensions. On the one hand, EES significantly affected not only the content but also the processes by which employment policy is implemented. Sakellariopoulos (2006: 21) mentions that coherent labour-market interventions in Greece can only be traced after 1997 due to the activation of EES. Likewise, when it comes to legislative action after 1993, legislative initiatives in the field of employment have multiplied. Modernization of the legislation on health and safety at work and strengthening of the legislative framework on gender equality can be directly attributed to the European influence although, as Yiannakourou (2003: 63–64) mentions, in many cases the government just replicated European Directives without accompanying them with adjustment that would enable effective implementation. Moreover, under the influence of EES, the government created a number of institutional bodies (such as the National Commission for Employment and Social Protection and the Greek Social and Economic Committee) in order to promote social dialogue (Mouriki, 2002; Feronas, 2004). Likewise, policies on active ageing and lifting the state’s monopoly on the provision of employment services can be attributed to the effect of EES (Yiannakourou 2003: 63), while vocational training policy has been developed almost exclusively due to EU pressures (Ioakimidis, 2000: 298).

The effect of EES on the domestic rhetoric/ discourses on employment cannot be ignored. Simitis’ government (PASOK) endorsed the European discourse to such an extent that in 1997 the social-dialogue procedure for reform of the labour market was entitled “Social Dialogue for Competitiveness, Growth and Employment”, aiming at a “Confidence Pact” between the unions, the employers and the State. The connection with Delor’s White Paper on Competitiveness, Growth and Employment and the European Confidence Pact is obvious. Other key concepts of EES also gained special weight in the discourse on employment policy: competitiveness, entrepreneurship and equal opportunities were core components of the PASOK modernizing discourse of the period 1996–2004. The political affinity between EES and the dominant, at that time, European social democracy – part of which is PASOK– resulted in a positive response on the part of the Greek political elite towards European employment policy.

Therefore, the allegations of the Ministry of Labour Affairs seem to be sincere, when maintaining that the influence of EES on Greek employment policy was significant when it comes to establishing quantified objectives, legislation, and the formation, implementation and financing of new policies (Ministry of Labour and Social Affairs, 2002). Accordingly, there is no single official document from either the Ministry of Employment, OAED or any other institute or organization of the Greek state which raises questions concerning aspects of EES. Actually, all the official documents regarding employment policy make a strenuous effort to demonstrate the close connection between European guidelines and the policies implemented in Greece.

However, all of the aforementioned developments represent just one side of the coin. The same researchers certify that the learning aspect was particularly limited in the case of Greece (Nakos, 2005; Kazakos, 2010) as the involvement of social-dialogue institutions in the actual production of employment policies remained marginal (Yiannakourou 2003, Tsarouhas 2008), the National Action Plans for Employment look more like lists of policies where the implemented programmes are registered, the participation of Social Partners remained only on paper and the ways that policies were implemented did not change very much (Tsarouhas, 2008: 357). The fact that Greece has a negative record on European recommendations (always on the same issues) supports this claim.



In short, under the influence of EES, Greek employment policy obtained a new idiolect, the process of its implementation acquired a more formal structure, social consultation was reinforced, new directions were pursued regarding the objectives of employment programmes, such as the emphasis on taking the unemployed out of long-term unemployment and on training, and the overall promotion of active policies over passive ones.

Nonetheless, the relation of Greek employment policy to the European one, as the latter was formed within EES and the Lisbon Strategy, is a singular one. On the one hand, Greek employment policy fully adopted the form proposed by EES; on the other hand, though, the way this policy was implemented was determined by internal factors and by the effort to satisfy the interests of specific groups which were not always in accordance with the proclaimed targets of EES. Greece never developed anything like a full strategy for employment; the programmes that were implemented were full of inconsistencies; the training system is still of low quality and its potential to support the productive structure of the country is doubtful.

Greek employment policy – despite being influenced by EES – was implemented in a way that would serve the internal priorities of the country. In order to maximize funds and secure their undisrupted flow, the Greek government has to demonstrate a strong bond between the policy implemented and employment guidelines, not to mention the general philosophy of EES. The attitudes of Greek governments towards every single event concerning EES formation can be interpreted accordingly. The need to maximize the flow of European resources made each Greek government “flexible” as to the exact content of employment policy itself. So, Greek governments have consistently adhered to a strategy with two fundamental features: support for any proposal aiming to promote a European dimension/ funding of employment policy, but also systematic abstinence from any debate concerning the content of this policy, even in cases where EES objectives were not in line with the needs of the Greek labour market (i.e. the increase in self-employment).⁴

Greek employment policy fully adopted the form, structure and discourse of EES, but it was not particularly influenced by the “way of doing things”. The compliance of Greek employment policy with European guidelines has been primarily aimed at ensuring the precious flow of European resources, and only secondly at improving the effectiveness of implemented policies. In the case of Greece, we observe a kind of “ritual compliance” (Barbier, 2001).

⁴A relevant example is the negotiations for revision of the European Treaty which resulted in the Amsterdam Treaty; the actions of the Greek government concerning the shaping of employment policy agenda were so marginal that, in his political autobiography, Mr K. Simitis (the Greek prime minister at the time) makes no reference to employment issues when writing about the Amsterdam Treaty and the Greek government.

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EU funding in Greek Tertiary Education. A lost opportunity: The case of Technological Educational Institutes (TEIs)¹

Spyros Stamoulis

1. Introduction

The signing of the Single European Act (SEA) is a hallmark for European integration for several reasons. One main reason, apart from some others such as the adoption of the cooperation procedure, a qualified majority, European political cooperation and the strengthening of the European Parliament, was the contribution of the SEA to the decision to determine the scope and time schedule for the establishment of the internal market. However, as pointed out by Kazakos (2004: 279 - 281), the internal market deprives the state, or renders impossible, both the exploitation of traditional instruments of economic policy for the attainment of various objectives, such as public procurement, and other measures of economic and social policy which typically remain within its national jurisdiction.

For this reason and in order to mitigate the consequences of the internal market, particularly for weaker states, the SEA introduced a title for economic and social cohesion. A year later, the resources of the three Structural Funds [European Social Fund (ESF), European Agricultural Guidance and Guarantee Fund (EAGGF), European Regional Development Fund (ERDF)] were restructured and doubled (Tsinisizelis, 2001: 34; Maravegias, 2004: 430). The aim was for the Community to contribute both to a reduction in the gaps between the various regions and to address the backwardness of the least favoured regions (Article 130a para. 2 of the EEC treaty as inserted by Article 23 of the SEA). The main tool for achieving the goal of economic and social cohesion was the CSF. The CSF mainly comprised medium-term development programmes to support economies based on priorities (Kazakos, 2004: 245) which were agreed between Member States and the Commission and taking account mutual priorities for regional policy.²


“However, the restriction of inequalities within the EU requires a continuous effort, whose success depends not only on the available EU instruments to support infrastructures...but also on the processes of economic and social development taking place within each country or region. These processes are accelerated or decelerated by the appropriate national policy” (Maravegias, 2004: 448).

2. The contribution of European policies to the integration of TEIs into Greek higher education

The period of the establishment and operation of TEIs coincided with the signing of the SEA and the target for completion of the internal market. This period also marked the culmination of a lengthy effort by Community institutions, via the adoption of European Community (EC) mobility programmes, to address the issue of education and training being complementary and mutually reinforcing components, in order to achieve the necessary conditions for the creation of adequate human resources endowed with the highest level of professional training while simultaneously forging a common European identity. TEIs fell within the scope of Community programmes; this development created opportunities for cooperation with foreign institutes and gave students the opportunity to study for a period of time at institutes abroad, thus increasing their validity and reliability. This perspective was reinforced by the Erasmus Programme due to the European Credit Transfer (and Accumulation) System (ECTS).

¹I would like to thank Evangelia Katakalous, PhD candidate at Panteion University, Department of International, European & Regional Studies, for her useful comments. The usual disclaimer applies.

²The foundation of the ERDF in 1975 and the Committee on Regional Policy are considered to be the beginning of Community regional policy [Regulation (EEC) n.724/75 of 18 March 1975 establishing a European Regional Development Fund]. This was followed by the implementation of the Integrated Mediterranean Programmes (IMPs) between 1984 and 1988 in Greece, Italy and the South of France. For the first stages of development of EC regional policy see Andrikopoulou (1995).




Nevertheless, the integration and operation of TEIs within the European educational environment were shaped by both the EC/EU mobility schemes and the actions taken by the Commission, except for offering opportunities, which prompted and enhanced the discussion of the problems faced by TEIs. Especially, problems relating to educational staff (Εκπαιδευτικό Προσωπικό-ΕΡ), curricula, the absence of an institutional framework for postgraduate studies and the deficiencies in physical infrastructure, while the European environment in which TEIs had to operate was clearly competitive and demanding. In other words, the European system raised the issue of the quality and evaluation of studies, and for this reason the status of TEIs and the qualifications of their graduates were indirectly put under scrutiny. In the same context, the provisions of Directive 89/48/EEC and the requirement for a tertiary education degree highlighted the matter of education equivalent levels. Consequently, the Directive, through its requirement for the removal of barriers to allow the exercising of professional rights within member states, was affecting the structure of tertiary education in Greece. How did this intervention come about?

Tertiary education in Greece was mainly provided by universities and TEIs. The length of studies was from 4 to 6 years for the former and 3.5 to 4 years, including an additional practice semester, for the latter. Tertiary education, therefore, was not characterized by unity but by a peculiar status, since there was not a single degree system or an equivalent length of study between the two types of tertiary institutes. As a result, TEI graduates were discriminated against by the rest of the academic community of their own country -as opposed to those abroad- with regard to the status of their education or their capability to pursue postgraduate studies. Naturally, this discrimination bore the same result when it came to their professional rights in accordance with the provisions of the Directive, i.e. working in their profession abroad was to their advantage, as opposed to working in their home country, which degraded them in comparison with university graduates. The conclusion, therefore, was that TEIs' legal status had to be clarified, so that by incorporating TEIs into a unified academic system, and by means of assessment, TEIs would fulfil their mission to both the state and their own graduates by offering them employment opportunities (Vardis, 1993). In other words, the problem initially affected TEI graduates but gradually led to the degradation of the institutes themselves, since it eventually became clear that both in Greece and abroad university studies were more advantageous. Essentially, the "raison d'être" of the institution itself was called into question.

The Ministry of Education tried to respond to these pressures through its activities at two different but interacting levels, initially via the issue of the professional rights of graduates, and then through the legal status of institutes and related matters, such as the status of degrees and postgraduate studies. The solution suggested was the integration of TEIs into a unified tertiary education, and hence the recognition of degrees that awarded bachelor qualifications in tertiary education, which would give graduates the opportunity to move on to postgraduate studies. More specifically, on 16 December 1994, a draft law entitled "Regulations concerning the Technological Educational Institutes and other provisions" was made known, which brought significant changes to both the function and the status of the TEIs.³ More specifically, according to para. 1 of Article 1 of the draft, the TEIs would be part of a single tertiary education system and be distinguished from the universities and polytechnics by the subjects offered, the nature of study, the time of attendance and, their content and qualifications, as well as the role of them and their graduates in terms of production. In other words, a TEI degree would be recognized as a bachelor degree in tertiary education. Furthermore, the TEIs won the right to participate in the organization and operation of postgraduate programmes in collaboration with foreign tertiary educational institutes. The postgraduate diplomas of graduates participating in these programmes would be awarded by foreign institutes and recognized like the qualifications of university graduates. These solutions favoured the EP of the TEIs, which had also been pushing in this direction for a long time in order to improve its status, both financially and institutionally, and put itself in the same position as the members of the teaching and research staff (Διδακτικό και Ερευνητικό Προσωπικό- DEP) of the universities.

³Source: Ministry of Education and Religious Affairs. Directorate for Higher Technological Education. Department Ε' Design, Development, Postgraduate Studies and Research.



Actually, the Greek state simply tried to react. However, it had not conducted any needs analysis of the production process in the country or prepared much of a plan for the evaluation of institutes. There had not been any elaboration of suitable policies⁴ that should accompany the decision to upgrade the TEIs and facilitate their equal integration into tertiary education in order to create the proper conditions for this change. This fact, combined with the strong opposition from representatives of the academic community, led to the project's failure. In fact, according to the view of a former minister of education who participated in our survey (interview), the Prime Minister, Andreas Papandreou,⁵ was the person who decided to halt the attempted reformation after the reaction of engineers in the public sector, as this reaction could have jeopardized all public works and led to the loss of Community funds from the 2nd CSF.

Faced with these pressures and due to the influence of European policies, the Greek state is having difficulties in choosing long-term solutions, while at the same time it is operating and adopting policies in a reactive manner. "However, the final assessment is considered as positive. European policies play the role of stimuli that reveal the weaknesses of Greek administration, set concerns, commitments, obligations and opportunities, which would otherwise take too long to appear. They help to accelerate processes and constitute benchmarks that put pressure on specific results" (Spanou, 2001: 169).


This is exactly what happened with the TEIs a few years later as a result of decision 1958/2000 of the Council of State (Συμβούλιο της Επικρατείας - StE), according to which "the legislator organized the TEIs as institutes of vocational education as prescribed in para. 7 of article 16 of the Constitution [as was previously done by the Centers of Higher Technical and Vocational Education (Κέντρα Ανωτέρας Τεχνικής και Επαγγελματικής Κατάρτισης - KATEE)] and clearly distinguished them from the universities". In addition, the decision of the 8th General Meeting on 10 February 1999 a session of the Hellenic Court of Audit (Ελεγκτικό Συνέδριο - ES) declared as unconstitutional and unlawful the provisions of article 3 of Law 2470/1997 which referred to wages in the public sector and stated that the graduates from TEI four-year programmes were to be put on pay scales starting, with the 20th and ending with the 3rd. It was doubtful whether this development could be dealt with under the provisions of article 16 of Law 2817/2000. Therefore, the need to change the rankings of public officials and subsequently their payment levels was raised as an important issue to be considered.

With these developments, the Special Secretary of the Administrative Sector for Tertiary Technological Education sent a memo to the leadership of the Ministry of National Education and Religious Affairs, in which it was stated that such a development would undoubtedly result in further turmoil in tertiary technological education. It would also probably lead the beneficiaries to court to demand the amounts deducted. Furthermore, the ES, in an official document, asked the directors of taxes to take appropriate action for the return of money that had already been given under the provisions of Law 2470/1997. The conditions were set, therefore, for imposing the integration of the TEIs into higher education. For this reason, the Special Secretary of the Administrative Sector for Tertiary Technological Education requested the expediting of this decision, noting that this action was facilitated by another reason, i.e. EU funds under the 2nd EPEAEK which could support such a large-scale process. This development was in accordance with the philosophy of the 3rd CSF and was a totally eligible entity.

The TEIs were integrated into Greek higher education under Law 2916/2001. This decision was not, however, an instant one. It was the result of EU policies and more particularly the result of the decision for the internal market and the pressure which was progressively applied. It was a decision which followed the pattern of growth and development of the technological non-university sector in the major educational systems of other countries, such as the United Kingdom, France and Germany.

⁴According to the well-known model by Kingdon (1995:165-195), agenda-setting is the result of interaction between problems, policies, according to the meaning of solutions, and politics, which concern forces that demand changes. When, in a given period these conditions are met, a window of opportunity is created leading to regulation. These windows of opportunity can open and close at a given time. Kingdon's model, in our view, is characterized by a variety of factors that influence the agenda, and it allows the synthesis of many influences in the process of formation.

⁵Andreas Papandreou was the founder of the Pan Hellenic Socialist Movement (Πανελλήνιο Σοσιαλιστικό Κίνημα - PASOK) and the prime minister of Greece for the periods 1981- 1989 and 1993- 1996.



Along this course the EPs of the TEIs and their constant demands for improvement in their status, the StE and the ES have played a vital role. The critical factor, as far as the timing of the decision is concerned, was the EU funding from the 3rd CSF, which could combine with and support such a large-scale project.⁶

3. Programme for the expansion of Greek tertiary education


Was the Greek government able to manage EU funding properly in order to modernize Greek tertiary education and strengthen its social dimension? Have the TEIs achieved a smooth integration into higher education and have they finally become equal to the university sector?

Initially, in the first CSF, there was not an operational programme for education and initial vocational training. The 1st EPEAEK, designed in 1993, was integrated into the 2nd CSF and covered the period from 1994 to 1999. The goals of the intended actions of the programme were to improve the weakness of the educational system in secondary and tertiary Education, as well as in initial vocational training. As far as tertiary education is concerned, the purpose of the programme was its expansion and connection to the labour market. The measures according to which this would take place were the following: (a) the reform of educational programmes, (b) the strengthening of postgraduate studies - research - scholarships, (c) the strengthening of infrastructures and equipment and (d) the linkage of education and production. Within this context, and taking into account that until that moment the TEIs could not organize postgraduate studies, the main intervention involved the growth/establishment of new departments which would bring together old and new innovative cognitive domains. Moreover, in order to strengthen the regional development of the country, it was decided that the new departments would be established on the periphery. Therefore, after the evaluations of both proposals and studies were submitted by the TEIs for establishing new departments, significant resources were allotted from the 2nd CSF via the Special Account of the Ministry of National Education and Religious Affairs, and the Public Investment Programme. However, there was only a minimum of funding for strengthening existing ones, particularly some departments of the TEI in Piraeus.⁷ Therefore if we compare the establishment of new departments of TEIs from the time of their foundation, the period from 1984 to 1996, we find that the new departments numbered 24, which is less than the 29 which were established with the support of the 1st EPEAEK from 1998 to 2000.⁸

⁶The integration of the TEIs in higher education coincided with the start of the Bologna process and the Greece's participation in it. Our study appears to confirm the causation, but not the linear function supported by other researchers with different origins in the study of educational issues (Nicolakopoulos, 2002: 265; Theotokas, 2002: 271; Mantzoufas, 2003: 326; Katsikas, 2005: 82; Tsakanika, 2007: 10-11; Gropa, Kouki & Triandafyllidou, 2010: 15-16), unless all of the above researchers accept our view that the Bologna Process is part of the phenomenon of European integration and thus reinforced the decision. In short, the Greek State did not proceed with the integration of the TEIs into higher education in order to meet the objectives of creating the European Higher Education Area (EHEA). The ministers who served in the Ministry of National Education and Religious Affairs between 1999 and 2001 and who took part in our survey did not report the commitments under the Bologna process being a reason for the integration of the TEIs into higher education (Interview 1 & 2). Besides, very early in the process, and soon after, through the discussions described and the explanations given, it was accepted that the objective of the EHEA, as well as the Directive 89/48/EEC, involved the entirety of higher education in Europe, which was formed by the university and non-university sectors and not separated, as in Greece. The explanations given for this direction at the Prague Summit in 2001 simply confirmed this common perception. An exception is the claims of Papadiamantaki, Stamelos & Bartzakli, who seem to understand the effects of Directive 89/48/EEC but cannot separate them or explain their interrelation with the Bologna process. They attribute the integration of the TEIs in Higher Education to both Directive 89/48/EEC and the Bologna process (Papadiamantaki, Stamelos & Bartzakli, 2006: 5). This has occurred because of the way of studying educational policy at the national and supranational levels and the research on influence at the level of action and reaction. In other words, it has occurred because of the inability to understand how European integration and the political process evolve and work as a whole. For this reason it is not possible to determine, only to suspect, the exact level of correlation and interaction, or to assess the contribution of other factors, such as the efforts of the EPs of the TEIs to upgrade their status and prospects for EU funding. Thus, the results of European policies are under consideration and their verification remains a question until the time when they occur.

⁷KA/1151/22 March 1999 a decision by the Minister of National Education and Religious Affairs "Approval and award fund to projects of 3.1.z ESF and ERDF 3.3.z, Expansion of Tertiary Education by the 2nd CSF". Directorate of CSF. Department B'. Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

⁸Noted that the implementation time of operational programmes extended beyond the conventional period.



As also happened with the 1st EPEAEK, in the 2nd EPEAEK, which was co-funded by the 3rd CFS during the period 2000-2006, one of the main objectives of the programme was the expansion and upgrading of higher education via the following actions: (a) completion of the expansion and reformation of curricula and (b) postgraduate studies – research – scholarships. Amongst others, as far as the proposal of the Ministry of National Education and Religious Affairs for the Education Development Plan 2000-2006 is concerned, the aim was free access for the young to universities and the abolition of entrance examinations.⁹

However, the spatial and thematic development of Greek tertiary education seems to be affected by three main factors: (a) The effort to satisfy the general perception and belief of Greek society that going through higher education improves the economic and social status of the individual by increasing the number of students, (b) the requests from public and private stakeholders in local communities to complete their infrastructures through the establishment of educational institutes and (c) the opportunity to absorb significant amounts of EU funding via the CSF. From the research done on empirical material and bibliographic sources, we found that efforts to draw up a strategic plan and engage in spatial planning for tertiary education started in 2000.

The main objective, as stated in the texts of the Working Group for the Strategic and Land-Planning Project (Ομάδα Στρατηγικού και Χωροταξικού Σχεδιασμού - OSXS) established by the Ministry of National Education and Religious Affairs, was the development of a proposal, a text of principles, for the balanced and rational development of tertiary education in all regions of the country and essentially concerned the criteria and conditions that should be met by the new departments and institutes in the field of technology and universities, as well as the main directions of the cognitive domains.¹⁰

The major landmarks of the contributions of OSXS were: (a) the introduction of a bipolar model for the regional development of Greek higher education, according to which in every region of the country there would be at least one multidisciplinary university and one TEI that should operate in addition to their distinct roles, on the grounds that higher education in Greece is divided into universities and TEIs and (b) the introduction of conditions for new departments to add to already existing ones or new geographic seats with, most importantly, the development of new faculties which would consist of at least three departments.¹¹ On its basis this design consisted of a number of conditions and criteria which should be met for the establishment of new institutes and departments, such as high quality, innovation and some others. Special attention was paid to the population criterion, mainly based on the number of inhabitants per area compared to corresponding figures mainly taken from member states of the EU, despite the fact that the available evidence suggests that participation rates in Greek higher education for young people aged 18 - 21 years were among the highest levels in Europe, without including those studying abroad.¹²

In any case, both before and after the operation of OSXS, it is clear that the decision for the determination of the cognitive domains of the new departments was the responsibility of the institutes whose proposals were often accompanied and reinforced by local authorities (municipalities, prefectures, church, associations) with reference to the structure of production, the growth of the region and the allocation of available land or buildings.

⁹The proposal for the Development Plan 2000 - 2006, Ministry of National Education and Religious Affairs, August 1999. Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

¹⁰Working Group for the Strategic and Land-Planning Project of the Higher Education in Greece. Text principles for the creation of new Departments and Institutes of Higher Education in Greece. Proposal presented to the Ministry of National Education and Religious Affairs, September 2001. Note that the Working Group for Strategic and Land -Planning was originally set up with the B1/165/3-9-2000 Ministerial Decision. This was subsequently amended by B1/41302/9-4-2002 and the 108073/B1/3-10-2003. Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

¹¹National Land-Planning and Development Project for Higher Education. Implementation progress and further opportunities, August 2003. Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

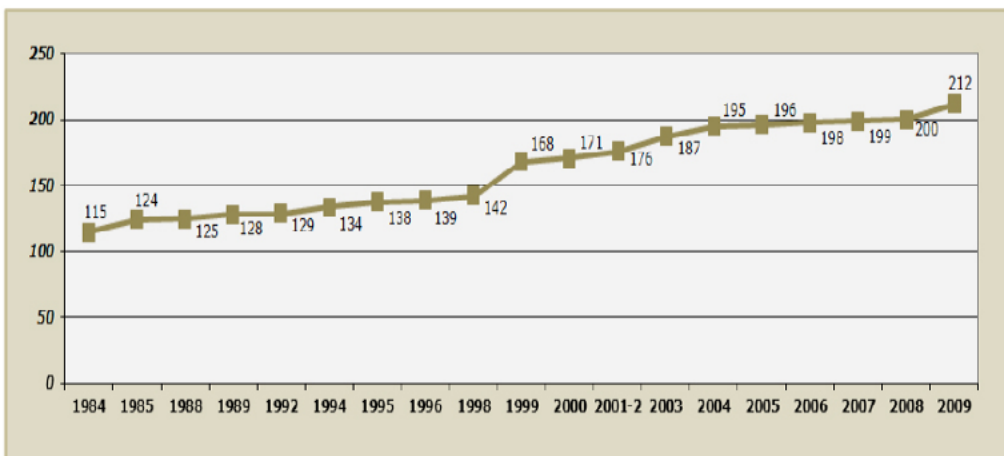
¹²Working Group for the Strategic and Land-Planning Project of Higher Education in Greece. Framework of principles and conditions for the creation of new Faculties and Departments in existing or new geographic seats. Second finding-proposal presented to the Ministry of National Education and Religious Affairs, April 2002. Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

But even such a fragmented design based only on model guidelines for the bipolar and regional development of Greek higher education without having been documented by any feasibility studies, failed to meet the minimum requirements which would secure even medium-term sustainable implementation. The criteria identified were the following: the number of students a city could serve based on its population, the infrastructure a city should have for students' convenience, the broader cognitive disciplines that should be served by the departments, in contrast to installing individual parts and, finally, the time that should elapse between the foundation and operation of a department, to ensure that all the requirements for high quality (space, infrastructure, teaching staff) are met. These criteria were not complied with, separately or in total. As a result, we had the establishing of dozens of new departments within the universities and TEIs through the fragmentation of disciplines which glide on academic and professional or technical expertise (Tsekos, 2012: 488-490). Particularly in the period 1999 – 2004, 19 TEI Annexes were founded and then scattered across the length and breadth of Greek territory, while the total number of departments rose from 115 in 1984, the first year of operation of TEIs, to 199 in 2007, at the end of the 3rd CFS, and to 212 in 2009, a rate increase of 84 per cent.

Comparing the two implementation periods of the 1st and 2nd EPEAEK from the 2nd and 3rd CFS with the period which began with the foundation of TEIs to 1996, we deduce that the most notable expansion of TEIs was realized with the boost of European funding. Gradually, of course, towards the end of the 2nd EPEAEK the available funds gradually diminished. For this reason, the establishment of new departments eventually came to a halt. However, the most important thing was that at the end of each programme, the funding, which had been used for the growth / establishment of new departments, had to be replaced by funds from the state budget. This development quickly led to a series of problems facing the newly established departments, related to operating costs, even those concerning the payment of their administrative staff.


The number of Departments of TEI per year

Year	1984	1985	1988	1989	1992	1994	1995	1996	1998	1999	2000	2001-2	2003	2004	2005	2006	2007	2008	2009
The number of Departments	115	124	125	128	129	134	138	139	142	168	171	176	187	195	196	198	199	200	212



Source: Processing data of the Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research

The foundation of new departments offers opportunities to local communities, while existing institutes and departments are boosted with the establishment of facilities and new posts for teaching and administrative staff. For these reasons, the Central Administration of the Ministry of Education is inundated with requests from local communities for the creation of new departments; these requests are often conveyed and supported by the legally responsible organs of the TEIs. It is revealing that these requests, whether from local communities, TEIs or both, have always been supported by members of the Greek Parliament who belong to the two former major government parties. The survey we conducted shows that between 2002 and 2010, the service of the Directorate of Higher



Technological Education received 435 proposals to establish new departments and 73 proposals to rename existing ones. As far as the members of the Greek Parliament are concerned from 2006 to 2010, the time that the economic crisis was more severe, having as a consequence the need for a rationalization of higher education, 94 questions – all of them supporting the above claims – were submitted in the form of parliamentary control.¹³

During the first period of Technical and Vocational Education until the first years of establishment and operation of the TEIs, the decisions taken had strongly rational characteristics. The development of the TEIs was intended to serve the developmental needs of the country, to restrict the import and export of students to universities abroad, while the establishment, development and enhancement of the TEIs were associated with their prospects and the calculations of the EP groups. In contrast, during the period 1998 – 2011, many decisions were taken without a plan and/or schedule. The strengthening of the TEIs had the character of enlargement. Scattered departments were created across the length and breadth of Greek territory with the support of both the political - administrative system and local communities until the moment the economic crisis became severe. Meanwhile, the effort to transform the TEIs into universities distorted their technological character. These developments further deprecate the institution of TEIs.

Conclusion

The regional policy of the EU and, in particular, the financing of structural funds have created a number of opportunities for the modernization and upgrading of Greek tertiary education. In the present work we have been able to examine their contribution to the integration of TEIs into Greek higher education. Their positive contribution should also be examined through a number of various actions (such as The Open University, the liaison offices of universities, the strengthening and reform of curricula, and postgraduate studies). Generally speaking, European policies play the role of stimuli that reveal the weaknesses of Greek administration and policies, raise concerns, make commitments, set obligations and offer opportunities which would otherwise take too long to materialize. They help to accelerate processes and constitute benchmarks that apply pressure for specific results.

However, the present study concludes that the policy style (Richardson et al, 1982) of Greek governments, the way in which they approach problems and develop relationships with other actors in the policy process, has not changed. The Greek state produces TEI policy in a reactive way (reactive policy style) without sufficient consultation (consensus relationship) with the academic community and other actors in the policy process. But at the same time it appears to be invalid (weak state), after first failing to impose its will (imposition relationship) on vested interests and secondly to implement the policies that are decided through the daily operations of institutes.

The regional policy of the EU and, in particular, the financing of structural funds which were designed to increase the quality of human resources and consequently productivity were only an opportunity to disburse funding from the European budget for the satisfaction of local communities. The TEIs, even today, despite their integration into Greek higher education, are the last resort for studies in higher education. TEI graduates are separated even today from university, both formally and substantially, concerning the positions they occupy, the fees they enjoy and the possibilities of professional development and careers. The general perception is that the TEIs, despite their performance in the progress of science and technology, have not succeeded in their mission.

The last attempt by the Ministry of Education and Religious Affairs in 2013 to restructure the academic map, and especially the structure and function of the TEIs under the plan called "Athena" was not based on rational, scientific criteria and adequate documentation which would promote mergers and other changes. The numbers of departments and institutes were drastically reduced (the Greek higher technological education now has a total of 150 departments in 14 institutes). However, the decision's only aim was to reduce the public expenditure on higher education due to the severe economic crisis. This also reveals that the Greek State is unable to determine the consequences of radical change of the institution and thus selects patchy solutions which have merely short-term results.

¹³Source: Ministry of Education and Religious Affairs. Directorate of Higher Technological Education. Department E' Design, Development, Postgraduate Studies and Research.

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Since 1981, Greece has been a major recipient of EU funds. Brussels has commissioned a large number of studies to assess the impact of these funds on the Greek economy and society. The authors of this volume do not replicate these reports. Instead, they raise questions that are often overlooked in typical program and project evaluations. They focus particularly on implications for governance. The book provides an innovative analysis of the long-term non-quantifiable impact of EU cohesion policy - from the recipient's viewpoint. The verdict is not positive: dismal failures lie next to impressive successes. The realization of what has gone wrong may trigger a debate on how to avoid similar mistakes, how to promote modernization and how to invigorate sustainable growth at a critical time in the country's history.

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"This edited volume takes a long overdue and fresh look at the impact of EU structural funds on Greece. It offers a multidimensional and comprehensive analysis of a little-studied subject."

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