A University of Sussex DPhil thesis

Available online via Sussex Research Online:

http://sro.sussex.ac.uk/

This thesis is protected by copyright which belongs to the author.

This thesis cannot be reproduced or quoted extensively from without first obtaining permission in writing from the Author

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the Author

When referring to this work, full bibliographic details including the author, title, awarding institution and date of the thesis must be given

Please visit Sussex Research Online for more information and further details
EU Regional Policy in Greece: State Capacity and the Domestic Impact of Europe

Author: Anastassios Chardas
Thesis submitted for the degree of Doctor of Philosophy at the University of Sussex
September 2011
Statement
I hereby declare that the thesis has not been and will not be submitted in whole or in part to any other University for the award of any other degree

Signature: Anastassios Chardas
The purpose of the thesis is to analyse the implementation of the European Union’s Regional Policy (EURP) in Greece and to clarify and explain the contextual factors that resulted in the ineffective deployment of the policy. It adopts a comparative political economy approach and employs largely qualitative methods in order to collect empirical material. It develops a conceptual framework based on the theories of state and administrative capacity on the one hand and Europeanisation and implementation on the other. Empirically, the aim is to substantiate the difficulties that the country faced in the implementation of the EURP. Moreover, the aim is to explain these difficulties with reference to the patterns of interaction developed within the institutional network that was created as part of the EURP as well as the domestic authorities that supported the implementation of the policy.

The Greek state has suffered from a series of weaknesses that impacted upon its internal administrative as well as its interactive capacities in the field of developmental policy. The recent Europeanisation of the country’s polity has partially addressed these issues. Nonetheless, the fieldwork research on the implementation of the EURP reveals that these difficulties persisted and impacted upon the patterns of the implementation of the policy. Significant delays, implementation difficulties and reorganisations of the programmes were the main characteristics of all the programming periods. Furthermore, the introduction of the institutional network that would manage and monitor the implementation of the programmes has become embedded in the previously existing patterns of state-society interaction.

The thesis has two main original contributions. The first consists of the empirical findings and particularly the detailed analysis of the patterns of implementation of the third
Community Support Framework (CSF). Moreover, it offers the first detailed study of the separate administrative network that was established in the third CSF and attempts to depict its impact upon the patterns of institutional interactions that were established in previous programming periods. Secondly, the conceptual framework that it develops in order to account for the patterns of implementation of the EURP in Greece has not been employed for similar purposes. It postulates that it is important to account for the mediating influence that domestic political and administrative institutional arrangements play in the implementation of the EURP.
## CONTENTS

List of Abbreviations .......................................................... vii
List of Figures and Tables ..................................................... ix
Acknowledgements .............................................................. x

### Chapter 1. Objectives and Structure of the Research

1.1 Introduction .............................................................. 1
1.2 Previous works on the effects of the EURP and the Greek political economy .................. 2
1.3 General aims and objectives ........................................... 5
1.4 The case of Greece ...................................................... 9
1.5 Key issues, concepts and research methods ........................................... 12
1.6 Research design .......................................................... 15
1.7 An overview of the structure of the thesis ........................................... 25

### Chapter 2. The Conceptual Framework

2.1 Introduction .............................................................. 29
2.2 Internal state capacities ................................................. 29
2.3 Interactive state capacities .............................................. 32
2.4 Europeanisation .......................................................... 38
2.5 Implementation of EU policies ........................................ 42
2.6 Administrative/ absorption capacity ..................................... 45
2.7 Conclusion ................................................................. 48

### Chapter 3. Internal and interactive state capacities and the process of Europeanisation in Greece

3.1 Introduction .............................................................. 50
3.2 An analytical framework ................................................ 50
3.3 Internal state and administrative capacity, limited coordinative capabilities .................... 53
3.4 Interactive state capacities, limited embeddedness ........................................... 56
3.5 The process of Europeanisation and patterns of domestic compliance with EU requirements ........................................... 69
3.6 Conclusion ................................................................. 75
Chapter 4. The ‘added value’ of the EURP

4.1 Introduction 77
4.2 Establishing the EURP 77
4.3 The principles of the EURP 84
4.4 The principles and the conceptual framework 94
4.5 Conclusion 105

Chapter 5. Substantiating the limited coordinating and interactive capacities of the Greek state in the process of the EURP in Greece

5.1 Introduction 107
5.2 The Greek ‘regional problem’ 107
5.3 The IMPs, the first two CSFs and their legacy for the third CSF 113
5.4 The third CSF 125
5.5 The difficulties with the implementation of the third CSF 129
5.5.1 Reasons for the delays of the third CSF 133
5.5.2 The implications of the ‘n+2’ automatic de-commitment rule 142
5.5.3 The implications of the deployment of ‘constructive logistics’ 147
5.5.4 The revision of the public finances 152
5.5.5 The implications of the attempted introduction of the ‘Main Shareholder’ legislation 155
5.6 Conclusion 163

Chapter 6. The interaction between the coordinating and interactive capacities of the Greek state and the institutional requirements of the EURP

6.1 Introduction 165
6.2 Regional development policies and institutions before and after the IMPs 166
6.3 EURP and institutional changes in the first two CSFs 175
6.4 EURP and institutional changes in the third CSF 188
6.4.1 Centralisation vs. Decentralisation 193
6.4.2 Antagonisms, lack of co-ordination between the CSF MA 201
and the sectoral MAs

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.4.3  Politicisation of the actions of the MAs</td>
<td>206</td>
</tr>
<tr>
<td>6.4.4  Relationships with European authorities/ Europeanisation</td>
<td>211</td>
</tr>
<tr>
<td>6.5    The interaction between the EURP and the internal and interactive state capacities</td>
<td>218</td>
</tr>
<tr>
<td>6.6    Conclusion</td>
<td>227</td>
</tr>
</tbody>
</table>

**Chapter 7. Conclusion**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1  Introduction</td>
<td>229</td>
</tr>
<tr>
<td>7.2  Overview of the research</td>
<td>229</td>
</tr>
<tr>
<td>7.3  Limitations of and contributions to the existing literature. Avenues for future research</td>
<td>236</td>
</tr>
<tr>
<td>7.4  Policy implications</td>
<td>240</td>
</tr>
<tr>
<td>Bibliography</td>
<td>247</td>
</tr>
<tr>
<td>Appendices</td>
<td>267</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>AA</td>
<td>Audit Authorities</td>
</tr>
<tr>
<td>ASEP</td>
<td>Higher Council for Personnel Recruitment</td>
</tr>
<tr>
<td>CA</td>
<td>Certifying Authority</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CEC</td>
<td>Commission of the European Communities</td>
</tr>
<tr>
<td>CID</td>
<td>Composite Index of Development</td>
</tr>
<tr>
<td>CIWD</td>
<td>Composite Index of Welfare and Development</td>
</tr>
<tr>
<td>CSF</td>
<td>Community Support Framework</td>
</tr>
<tr>
<td>CSF MA</td>
<td>Community Support Framework Managing Authority</td>
</tr>
<tr>
<td>CSF MC</td>
<td>Community Support Framework Monitoring Committee</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate-General</td>
</tr>
<tr>
<td>DG Regio</td>
<td>Directorate-General for Regional Policy</td>
</tr>
<tr>
<td>EAGGF</td>
<td>European Agricultural Guidance and Guarantee Fund</td>
</tr>
<tr>
<td>EC</td>
<td>European Community</td>
</tr>
<tr>
<td>ECJ</td>
<td>European Court of Justice</td>
</tr>
<tr>
<td>ECOFIN</td>
<td>Economic and Financial Affairs Council</td>
</tr>
<tr>
<td>ECU</td>
<td>European Currency Unit</td>
</tr>
<tr>
<td>ELKE</td>
<td>Hellenic Centre for Investment</td>
</tr>
<tr>
<td>EMU</td>
<td>Economic and Monetary Union</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
</tr>
<tr>
<td>ESPEL</td>
<td>Expert Agent for the Sampled Quality of Infrastructure Projects</td>
</tr>
<tr>
<td>ESYE</td>
<td>National Statistical Service of Greece</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EUROSTAT</td>
<td>EU Statistics Office</td>
</tr>
<tr>
<td>EURP</td>
<td>European Union Regional Policy</td>
</tr>
<tr>
<td>FYROM</td>
<td>Former Yugoslav Republic of Macedonia</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IB</td>
<td>Intermediate Body</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>IMP</td>
<td>Integrated Mediterranean Programme</td>
</tr>
<tr>
<td>INTERREG</td>
<td>Interregional Cooperation Programme</td>
</tr>
<tr>
<td>KEDKE</td>
<td>Central Association of Municipal and Communal Authorities</td>
</tr>
<tr>
<td>LGA</td>
<td>Local Government Authority</td>
</tr>
<tr>
<td>MA</td>
<td>Managing Authority</td>
</tr>
<tr>
<td>MIS</td>
<td>Management and Implementation Systems</td>
</tr>
<tr>
<td>MC</td>
<td>Monitoring Committee</td>
</tr>
<tr>
<td>MEK</td>
<td>Joint Steering Committee for Public Works</td>
</tr>
<tr>
<td>MOU</td>
<td>Management and Organisation Unit</td>
</tr>
<tr>
<td>ND</td>
<td>New Democracy Party</td>
</tr>
<tr>
<td>NSRF</td>
<td>National Strategic Reference Framework</td>
</tr>
<tr>
<td>NUTS</td>
<td>Nomenclature of Statistical Territorial Units</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Programme</td>
</tr>
<tr>
<td>PA</td>
<td>Payment Authority</td>
</tr>
<tr>
<td>PASOK</td>
<td>Pan-Hellenic Socialist Movement</td>
</tr>
<tr>
<td>PATHE</td>
<td>Patras, Athens, Thessaloniki, Evzoni Motorway</td>
</tr>
<tr>
<td>PIP</td>
<td>Public Investment Programme</td>
</tr>
<tr>
<td>RDP</td>
<td>Regional Development Plan</td>
</tr>
<tr>
<td>ROP</td>
<td>Regional Operational Programme</td>
</tr>
<tr>
<td>SEA</td>
<td>Single European Act</td>
</tr>
<tr>
<td>SGP</td>
<td>Stability and Growth Pact</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Size Enterprises</td>
</tr>
<tr>
<td>SPD</td>
<td>Single Programming Document</td>
</tr>
<tr>
<td>TEDK</td>
<td>Local Association of Municipal and Communal Authorities</td>
</tr>
<tr>
<td>YPEXODE</td>
<td>Ministry of Planning, Environment and Public Works</td>
</tr>
</tbody>
</table>
List of Figures and Tables

Figure 2.1 An analytical framework for the implementation of the EU’s Cohesion Policy by type of response, administrative dimension and type of impact 42
Figure 2.2 The Policy Cycle 45
Table 3.1 Total public expenditure as a percentage of GDP in Southern, Western and Northern Europe in 2003 and 2006 59
Table 3.2 Public Sector employees as a percentage of the total of economically active population 60
Table 3.3 Corruption Index for a sample of countries 62
Table 3.4 The size of the ‘shadow economy’ as a percentage of GDP 63
Table 3.5 Social Capital Index 64
Table 3.6 Expressed confidence in various institutions 66
Table 3.7 Trust in institutions. Eurobarometer (2000-2010) 66
Table 4.1 Responsibilities and tasks of major institutions involved in the implementation of the EU Cohesion Policy 102
Table 5.1 Economic and social characteristics of the Greek regions 111
Table 5.2 Regional population, GDP per capita and Composite Index of Development (CID) for the NUTS II Regions of Greece 112
Table 5.3 1st, 2nd and 3rd CSF per capita spending (in ECU) 120
Table 5.4 Financial tables of co-financed development programmes in Greece 1986-2006 (according to the initial EC approvals) 127
Table 5.5 Finances approved by the Commission at the beginning of each programming period 127
Table 5.6 The evolution of financial allocations (%) by category of intervention 127
Table 6.1 Distribution of functions by level of government in Greece 172
Table 6.2 Tiers of local government and decentralised structures in Greece 183
Figure 6.1 Community Support Framework III Operation Agencies 217
Appendices 267
Acknowledgements

I would like to thank the University of Sussex for their financial support in the form of a scholarship that covered the tuition fees for my DPhil research as well as for funding my participation in two international conferences.

In particular, I would like to thank my supervisor, Francis McGowan, for his support throughout the process of the research that preceded the writing of the thesis. Most importantly, I would like to thank him for his useful comments and suggestions for the final drafts of the thesis. I would also like to thank Professor Paul Taggart and Dr. Adrian Treacher for arranging an Associate Tutorship for me at the Department of Politics and Contemporary European Studies that helped me financially throughout the research and provided me with useful teaching experience.

I would like to thank all the employees of the Community Support Framework Managing Agencies in Greece and the employees of the European Commission who assisted me and gave me their time during the interviews. In particular I would like to thank Mr. Giannis Papadopoulos at the Managing Authority of the Western Macedonia Operational Programme for his help in tracking down useful contacts at the initial stages of my fieldwork. Also, I would like to thank Professor Athanassios Papadaskalopoulos from Panteion University, Athens, Greece who helped me get in contact with employees of the Managing Authorities from previous programming periods. The assistance offered by Mrs. Evangelos Divaris and Athanassios Sofos at the European Commission and Mr. Dimitris Iakovidis at the Greek Ministry of Economy is especially appreciated.

Mostly, I would like to thank Angela for her warm support and encouragement in every stage of the research. The thesis is dedicated to her.
Chapter 1. Objectives and Structure of the Research

1.1. Introduction

Greece has been among the main beneficiaries of the European Union Regional Policy (EURP) funding provided through the Structural and the Cohesion Funds. There is sufficient evidence, however, indicating that the policy was not employed effectively in the country. This resulted in the policy having a limited impact both in the policy areas in which it intervened and in terms of the spillovers that it endowed to the broader institutional and administrative structures of the country. This is corroborated by the long term macroeconomic situation of the country and the persistence of a series of structural weaknesses of the domestic political economy. In particular, the objective of the achievement of catch-up by Greece with the richest EU member states has only been partially achieved. Despite the more than average rates of national economic growth achieved during the last fifteen years- the country enjoyed an average growth rate of around 4% in this period,\(^1\) around 2% more than the EU average- the overall situation regarding the structural weaknesses of the Greek political economy —low competitiveness, high structural unemployment, acute socioeconomic disparities—remains largely unchanged. Furthermore, since the 2004 and 2007 waves of enlargement, eight out of thirteen Greek regions belong to the group of 70 regions with a GDP per capita less than 75% of the EU average. Secondly, the interregional disparities inside the country, best described as the country’s ‘regional problem’ established in the post World War II years, have not been addressed.

The ‘regional problem’ mainly consists of an overconcentration of economic activity and population in and around the two major cities, the capital Athens and the second largest city Thessaloniki. Specifically, the capital continues to enjoy the sheer majority of economic activity as it produces around 50% of the national GDP. Moreover, in the period 2000-2006 the gap between the rates of socioeconomic development between Athens and the rest of the country became even wider with the GDP of the region of Attiki growing at around 5% and the GDP of all the other regions of the country taken together at 3%.\(^2\) Therefore, the

---

\(^1\) Pelagidis, 2010; CEC, 2010.
\(^2\) CEC, 2010, p. 58.
significant problems that one encounters in the study of the economic geography of Greece do not seem to have been solved by the EURP. Moreover, the structural problems of the Greek political economy remain more or less unchanged. Thus, the research question is why the EURP was not employed more effectively so as to contribute in altering these dynamics. The answer provided in the thesis is that it is the limited internal and interactive capacities of the Greek state that offer the conceptual framework through which the limited impact of Europeanisation that was filtered domestically through the EURP needs to be corroborated empirically.

The remainder of the chapter introduces the theoretical and empirical aims of the thesis. It establishes the rationale that I develop in the remaining chapters in order to answer the questions that provided the initial incentive for instigating the research. Why did a developmental policy, initiated at the supranational level, fail to affect the endogenous capabilities of the Greek political economy? What was the role of the state in providing the institutional infrastructure required for the successful implementation of the relevant programmes? More specifically, what was the role played by the authorities involved in the implementation of the projects of regional socioeconomic development in the country? Furthermore, at the societal level, what were the elements that contributed to the lack of collective responses to the challenges offered? Finally, what role did Europeanisation play in the whole process? Did the external forces of participating in the EU – and specifically the adoption of the regulatory framework governing the activities of the EURP – play a part in the creation of spillovers that would affect the domestic political and socioeconomic institutional configurations? These were some of the fundamental questions that motivated the research leading to the thesis.

1.2. Previous works on the effects of the EURP and the Greek political economy

Several works have been written about the relationship between the EURP and the recipient countries. Similarly, many studies have attempted to explain the configurations of the Greek political economy. As far as the former are concerned they tend to be divided into two camps. Firstly, there are those that address the issues involved in a purely economistic way, focusing on the actual impact that the policy has had on the economies of the
countries that receive this type of funding. They mainly come from regional science/economics, mainstream economics and the new economic geography and they employ sophisticated econometric techniques in order to provide a quantitative assessment of the changes involved. They isolate the effects that other contextual factors might have and attempt to measure the effects of changes on GDP rates, unemployment and/or productivity that came as a result of the EURP either in specific countries or the EU as a whole. Depending on their initial assumptions, they conclude either that the EURP contributes positively in that it decreases the interregional disparities inside the EU or that it does so negatively as it promotes dependency of the poor member states on the EU handouts.

On the other hand, there are those studies that emanate from a political science perspective and address the interactions that exist between the actors or the institutions at the three territorial levels – international, national and regional/local. They tend to be of a qualitative nature and focus on processes rather than on clearly identifiable outputs. They are either comparative in their research orientation, dealing with these issues on the level of individual countries or groups of countries, or they attempt to explain the changing constellations in the relationship between the EU and the member states. In both cases, they tend to frame their questions conceptually in accordance with the terms provided by the literatures on implementation, Europeanisation and multi-level governance, whilst in some cases these literatures are employed interchangeably. The general aim is the identification of the ‘added value’ that the EURP has in administrative, institutional or other policy terms either at the supranational or the national and sub-national levels.

---

3 Rodriguez-Pose and Frattesi, 2004; Leonardi, 2005; Molle, 2006; Martin and Tyler, 2006; Puigcerver-Penalver, 2007; Bachtler and Gorzelak, 2007.
4 Boldrin and Cannova, 2001; Puga, 2002; Ederveen, de Groot and Nahuis, 2002; Funck and Pizzati, 2003; Cappelen et al., 2003; Sapir et al., 2004; Tarschys, 2003; Beugelsdijk and Eijffinger 2005.
5 Borzel, 2002; Gualini, 2003; Paraskevopoulos, 2001, 2005; Paraskevopoulos and Leonardi, 2004; Andreou, 2006; Milio, 2007; Baun and Marek, 2008; Bache, 2008.
The studies that examine the configurations of the Greek political economy also tend to be divided into two categories. On the one side are those studies that discuss the Greek political economy in isolation from the institutional variables that affect its performance. They tend to examine issues of competitiveness and seem to be particularly preoccupied with the excessive public deficits of the national economy. Quantitative data are presented in a way to confirm their theories. They are usually pessimistic about the prospects of the Greek economy and identify the bloated public finances, the resulting reduced competitiveness in terms of wage levels and the limited flexibility of the labour markets as contributing factors. They usually conclude that a restrictive macroeconomic policy that would reduce the public debts and keep the wages at competitive levels is needed if the economy is to grow. To those studies we can add a branch of literature that again employs mainly econometric variables in order to elucidate the specifics of the national political economy. Nevertheless, contrary to previous approaches, the results that are drawn are closer to a post-Keynesian perspective and seem to be more favourable to governmental intervention as a way of achieving macroeconomic stability.

On the other side there are those studies that are more inclined to discuss the prospects of the Greek political economy as a whole or the progress of certain sectors of the economy with reference to political and/or social contextual factors. They can be seen as coming from the public policy literature or other sub-disciplines of political science, with some older contributions coming from the perspectives offered by the Sociology of Development and Economic History. In relation to those, one needs to make explicit references to the studies that emanate from the comparative political economy and answer the empirical questions that they pose by using either structural conceptual frameworks or rational choice ones. What these perspectives seem to share is an understanding of the Greek political economy as embedded in a series of institutional configurations which have

8 Alogoskoufis, 1995; Pirounakis, 1997; Lolos, 1998; Christodoulakis and Kalyvitis, 2001; Bank of Greece, various reports; Moschovis and Servera, 2009.
10 Parts of Voulgaris, 2001; Paraskevopoulos, 2001; Christoforou, 2003; Sotiropoulos, 2004; Featherstone, 2003a, 2005; Matsagganis, 2006; Featherstone and Papadimitriou, 2008.
12 Tsakalotos, 1998; 2008; Pagoulatos, 2003; Lyberaki and Tsakalotos, 2002; Giannitsis, 2008; Antoniades, 2010; Pagoulatos, 2011; Featherstone, 2011.
13 Kazakos, 2001; Pelagidis, 2005.
largely been determined from past experiences and may be applicable to a modern context. The focus is usually on structural determinants of the national political economy and there is less preoccupation with issues of competitiveness in a strictly neo-liberal sense. Rather the development of social welfare, developmental and/or redistributive mechanisms gain more attention. The state intervention is not necessarily associated with ineffectiveness and the policy implication is not always the reduction of the public deficits through –amongst others – less participation by the government in economic activities. Nevertheless, the quality of the different methods of governmental intervention and the socioeconomic ‘mix’ in which this takes place are normally put forward as more plausible explanations for the configurations of the Greek political economy. These different strands of literature often tend to develop in isolation from each other, thereby ignoring the contributions that can be made by a cross fertilisation of different perspectives.

1.3. General Aims and Objectives

The purpose of the thesis is to analyse the implementation of the Structural and the Cohesion Funds in Greece during the period 2000-2008\(^{14}\) and to clarify and explain the contextual factors that resulted in the ineffective deployment of the policy and the limited spillovers that were made on the domestic political, economic and social systems. As mentioned above, it aims to do so by adopting a comparative political economy perspective, which to the best of my knowledge is not an approach that has been taken in the study of the EURP in the member states before. No previous study has aimed to examine the EURP in one of the main recipient countries from the perspective of the theories that explicitly examine state capacities in relation to socioeconomic development and the relationships of these domestic factors with the external stimuli of Europeanisation. Thus, although some studies have recently turned their research focus on issues of administrative and /or absorption capacity,\(^{15}\) they attempt to isolate issues of administrative capacity from the wider political economy and social context in which the EURP intervention takes place. The thesis aims at improving the conceptualisations of these

\(^{14}\) The Community Initiatives (CI) and the Innovative actions are the two other sources of finance for the recipient countries of the EURP. For analytical purposes they are not included in the analysis that follows in the thesis.

\(^{15}\) For example Milio, 2007.
studies through the concurrent examination of the domestic political and socioeconomic context in which the funds are implemented and their interaction with the external forces of Europeanisation as they develop through the regulatory framework that governs the activities of the EURP. This conceptual framework and the empirical analysis that accompanies it can be used in order to complement the results of studies that examine the domestic impact –political and socioeconomic- of the structural funds in the recipient countries by assigning more importance to institutional issues that affect the implementation and outcomes of the policy.

Likewise, even though some studies have examined the implementation of the EURP in Greece,\textsuperscript{16} no previous study has focused so extensively on the period under examination, that of the third Community Support Framework (CSF) which lasted between 2000 and 2008. Moreover, the empirical analysis that follows is detailed and in depth and addresses the processes involved in a systematic way as it covers all aspects of socioeconomic interactions. The period of the third CSF is even more important for the EURP in Greece as it was the first operating period for the administrative network that was set up with the exclusive aim to manage the structural funds. This network -Management and Implementation Systems (MIS)\textsuperscript{17}- was created in the late 1990’s and aimed at combating one of the long lasting structural problems of the Greek political economy; the ineffectiveness of the domestic public administration. Thus, one of the contributions of the thesis is to examine the extent in which the MIS altered these problems and the quality of spillovers that were created for the country. This research can complement the research interest on the impact that the introduction of the MIS has had for the countries that entered the EU in 2004 and 2007 and the original Cohesion countries.

Finally, another indirect contribution is that together with the examination of the stimuli of Europeanisation, the empirical aims of the thesis are substantiated through the concept of state-society ‘embeddedness.’ There has been an extensive literature –discussed in the remaining of the chapter- dealing with the broader aspects of the Greek political economy

\textsuperscript{16} Paraskevopoulos, 2001; Petrakos and Psycharis, 2004; Andreou, 2006.

\textsuperscript{17} EPRC, 2009.
and/or specific policy or social welfare areas and their evolution over time. Usually, the conclusions reached by these studies are that the domestic political and social developments have left an ineffective state and/or an immature civil society that do not allow the effective fruition of developmental, redistributive or social policy measures. Although the thesis accepts the broader propositions of these results, it attempts to complement them through the examination of both the spheres of state and society in conjunction. It does so through the incorporation of the concept of ‘embeddedness’ which aims at avoiding simplistic distinctions between government action and the socioeconomic environment in which it takes place. Thus, the aim is to elaborate a research orientation that accepts that the Greek state and the civil society are inexorably interlinked and any changes to one sphere are likely to lead to changes to the other as well. Hence, any administrative or state reforms need to take into account the social ‘mix’ in which they are to be implemented. Similarly, any calls for bottom up ‘cultural’ changes towards a more autonomous civil society need to take into account the state policies both in terms of their content and their implementation prospects.

More precisely, the thesis aims to explain the ineffective deployment of the EURP in Greece by utilising the perspectives offered by two branches of literature. Firstly, I employ those that examine internal and interactive state capacities as they developed as part of the comparative political economy literature and secondly those that come from the broader area of the EU studies. As far as the former are concerned, I refer to the insights offered by the theories of the ‘developmental state’\(^\)\textsuperscript{18}, whose main objective is the account of the socioeconomic development achieved by different economies. In this context, socioeconomic development is explained with reference to the qualitative characteristics of the interaction between the state and the surrounding socioeconomic environment. Therefore, the discussion is twofold, aiming on the one hand to explain the internal elements of the domestic governmental intervention in the economy; and simultaneously, to consider the concept of ‘embedded autonomy’\(^\)\textsuperscript{19} which has been developed in order to account for the interaction that the state achieves with the socioeconomic interests that

\(^{18}\) Evans, 1995.

\(^{19}\) ibid.
surround it. Nonetheless, the two spheres – the state activity and the surrounding socioeconomic environment – are not each examined in isolation. Instead, the internal and the interactive capacities of the state are employed in conjunction with each other in order to discuss the reasons for the success or failure of a developmental programme.

The second branch of literature that is utilised in the thesis is one that discusses the domestic impact that the participation in the EU has on the member states. The traditional discussions about the dynamics of EU integration attempted to elucidate the nature of the unique experiment of a supranational pooling of sovereignty. The theories of Europeanisation and implementation, however, take the process of EU integration as a given and attempt to explain the impact that it has on the participating member states. Therefore, they see the EU as a given polity similar to some extent to the national ones albeit with specific characteristics which make its analysis sensitive to sectoral dynamics. This is to say, this literature does not aim at providing broad range theories about the interaction between the supranational and the national levels in the EU. Instead, it attempts to discuss these dynamics in specific sectoral and policy areas, utilising the perspectives offered from comparative politics.

The conceptual framework that emerges from a synthesis of these two sets of literature aims at explaining the dynamics of the implementation of the programmes financed through the EURP in Greece. The EURP is the second most important policy of the EU in financial terms. It aims at reducing the economic imbalances between the participating countries of the EU and represents the most significant interventionist mechanism for the accomplishment of greater economic and social cohesion. Nevertheless, when it comes to its administration it retains certain characteristics which make its study interesting for anyone who wishes to examine the interaction between the member states and the supranational executive and legislative authorities. In particular, even though the Commission co-decides the design of the policy, the implementation is almost exclusively the prerogative of the recipient governments. Thus, the pre-existing administrative

---

20 Ladrech, 2010.
21 Hix, 2005.
infrastructures of the latter become important intervening explanatory concepts in illuminating the patterns of the implementation.

The policy reaches the recipient states through the Community Support Frameworks (CSFs), which form the agreement between the Commission and the country. They are the plans of regional and sectoral economic development, which encompass the four guiding principles of the Structural Funds; those of the concentration of resources, programming, partnership and additionality. In Greece, the third CSF was initiated in 2000 and was intended to finish at the end of 2006. However, after successive delays and extensions the programme finished instead at the end of 2009. It followed three other rounds of coordinated programs of economic and regional development that started in 1989 with the Integrated Mediterranean Programmes (IMPs) and continued with the first two rounds of CSFs.

1.4. The Case of Greece

Greece was not part of the industrial revolution that was initiated in most countries of Europe from the end of the 18\textsuperscript{th} century until the end of the 19\textsuperscript{th} century.\textsuperscript{22} Furthermore, because it was part of the Ottoman Empire from the mid 15\textsuperscript{th} century until 1821, it did not participate in any of the cultural developments that took place in what is broadly – and maybe simplistically – defined today as the period of the Enlightenment.\textsuperscript{23} Greece’s inability to participate in either of these historical developments created a structure that has effectively determined the constellations of the relationship between the state and the surrounding economy and society ever since.

Moreover, in order to compensate for the lack of an industrial base, successive Greek governments have either actively employed the state as a vehicle for economic and social modernisation or expanded its activity in the economy for many years.\textsuperscript{24} The manner in which this took place, however, has been intricately linked to the above mentioned idiosyncratic historical configurations. Therefore, although the deployment of the state as a

\textsuperscript{22} Svoronos, 1999.
\textsuperscript{23} Veremis, 1997.
\textsuperscript{24} Freris, 1986; Dertilis, 2005.
vehicle for economic and social modernisation has been a preferred strategy advanced by many other economic latecomers, in this case the continuity of previous organisational arrangements – both political and social – resulted in the limited success of the strategy. In relation to the more recent history of the country, Pagoulatos offers a convincing outline of the development of the country’s political economy. He identifies four successive and overlapping stages starting with that of economic development in the immediate post World War II period. After the fall of the dictatorship in 1974 the process of socio-political democratisation started, followed by that of Europeanisation after the accession to the EC in 1981. Finally, the participation in the common currency has signalled the integration of the country’s politico-economic system in a globalised environment. The adoption of the euro has been accompanied by the achievement of significant rates of economic growth that have consistently been above the EU-15 average. Therefore, as far as the last 15 years are concerned, the macroeconomic picture that emerges for the country is one of monetary stability achieved through the adoption of the Maastricht criteria and considerable fiscal expansion aided not only by the Olympic Games but also by the EU Cohesion assistance. Nevertheless, the country largely retains its pre-industrial character, with the primary sector registering very high levels of employment. Other elements that seem to confirm this picture are amongst others widespread tax evasion, high levels of family owned small and medium sized enterprises (SMEs) and high rates of self employment. Also, the rates of unemployment are particularly high – around 10%, the second highest in the EU-15 – and the competitiveness of the economy is particularly low. Furthermore, the lack of synchronicity between economic development and democratisation has impacted on the lack of welfare and redistributive mechanisms in the country. The bottom-up demands for equality that came from the middle classes in the European countries did not materialise to the same extent in Greece. One area where this difference is most profound is the regional disparities between different localities in the

26 Pagoulatos, 2003
28 Monastiriotis, 2008.
country. The excessive economic growth of the immediate post World War II period was largely the result of massive movements of migration from rural and undeveloped areas mainly to Athens and secondarily to the second largest city, Thessaloniki. This situation remained unchanged throughout the period of economic growth of the last 10 years and if anything it has deteriorated since at the same period the population and economic activity around the area of Athens has increased even more.\textsuperscript{30}

The internal economic imbalances between the regions of the country only serve to exacerbate the disadvantages that accrue because of its geographical marginalisation. The country is clearly located on the periphery of the European market and outside the well known banana shaped economic agglomeration. Moreover, until 2007 and the accession of Bulgaria, it did not enjoy any common borders with its EU counterparts. This makes the development of economic relations more difficult, whilst the precarious security situation with Turkey has only compounded the country’s economic problems.

The regional imbalances inside the country as well as the disadvantaged position of Greece in relation with the EU were recognized by the Commission when it designed the EURP. The whole country was awarded Objective One status, which means that its levels of GDP have been persistently lower than 75% of the EU average. It has remained in this position throughout the first round of IMPs and the three CSFs that followed. The situation only changed in the fourth programming period – which officially started in 2007 – when some regions were awarded phasing-out status, which means that they will cease receiving Convergence –the replacement of the Objective One classification of NUTS II regions-funding after 2015. Nevertheless, this has been the result of the ‘statistical effect’ that came about as a result of the enlargement rather than the achievement of significant growth rates by the Greek regions.\textsuperscript{31}

\textsuperscript{30} CEC, 2010, p.58.
\textsuperscript{31} Baun and Marek, 2008
1.5. Key Issues, Concepts and Research Methods

The thesis aims to examine the patterns of implementation of the EURP in one of the original four Cohesion countries.\textsuperscript{32} It does so by employing a conceptual framework that is sensitive to the relationships between the state and the surrounding socioeconomic environment on the one hand and the interaction of the domestic political and administrative system with the EU on the other. The internal and external characteristics of the mode of coordination that is provided by the state in the field of the developmental policy are discussed with reference to Evans'\textsuperscript{33} concepts of ‘developmental state’ and ‘embedded autonomy’. Evans distinguishes between three possible ideal types that provide institutional responses in a developmental policy; these are the ‘developmental’, ‘predatory’ and ‘intermediate’ states.\textsuperscript{34} In the case of the developmental response the state can be credited as initiating and sustaining a successful programme of socioeconomic transformation. Conversely, in the case of the predatory response the state can be seen as responsible not only for the lack of such transformation but also for the deterioration of the economic prospects of the area where the programme is implemented. The intermediate cases describe the most common responses where elements of both the above responses are combined to provide cases where a state might act developmentally in one area but fail in another.

More specifically, the argument that is put forward is that the ambition of a state to act in a developmental manner is one thing; the capacity that it possesses in order to play such a role is another. This capacity depends on two main complementary but also overlapping issues, the internal administrative capacities and the external or interactive ones. The internal capacities depend on the existence or lack of a strong and coherent bureaucracy that is sufficiently resourced and trained but also adequately insulated by the broader political workings of the polity in which it functions. The ideal type of bureaucratic rationality that Weber postulated is the most accurate description of this situation, according to which the individual departments of the executive are able to coordinate their

\textsuperscript{32} Spain, Portugal and Ireland were the other three.
\textsuperscript{33} Evans, 1995.
\textsuperscript{34} ibid.
actions in order to pursue a wider developmental objective. Their function is also supported by a strong judicial system that is able to impose the rule of law.

The interactive capacities that allow a state to act in a developmental manner are less straightforward. The concept of ‘embedded autonomy’ is put forward in order to describe a situation in which the internal characteristics of the state are successfully embedded in the wider socioeconomic environment but also equally autonomous from it. The wider socioeconomic environment in this case refers to actors representing both the civil society and the sectors of the industry that are involved in the process of a developmental programme. The state is able to coordinate its actions with the actions of these actors but also allows them sufficient scope for autonomous action. This situation is also described by the concept of ‘Governed Interdependence’ through which the state and the society are able to constantly negotiate the particular aspects of a developmental programme. Finally, the concept of ‘state-society synergy’ aims at further improving the conceptualisation of this process. This is dependent on the existence of sufficient complementarity but also on embeddedness in the interaction between state and society. Complementarity involves clearly delineated roles between state, civil society and industry actors in the process and embeddedness the ability to cross the public-private divide and form institutionalised and mutually reinforcing relationships. The extent to which ‘state-society synergies’ can be formed depends on the existence of adequate levels of civil society and social capital that is available in the area where the intervention takes place. Although these terms usually describe different albeit overlapping phenomena, they are more or less used interchangeably in the thesis in order to describe the intermediate levels of public sphere between the state and the individual.

Social capital has emerged as a prominent explanatory concept in the literature that explains public policy outcomes and/or institutional processes. It describes:

- features of social organisation such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action.

---

36 Evans, 1996.
38 Putnam, 1993
The assumption is that a civic culture where social actors engage in meaningful interactions based on trust and reciprocity can improve the outcomes of a public policy programme or institutional performance by solving collective action problems. More details about the ways in which the terms social capital and civil society are employed in the thesis are provided in chapter 2. What is important to clarify at this point is that the aim of the thesis is not to provide a straightforward relationship between the research question posed and the levels of social capital in Greece. Instead, the two concepts discussed here are integrated in an institutionalist perspective and are examined concurrently with state action. The conceptual aim is to capture the bottom-up characteristics that influence the outcome of the EURP as they interact and/or complement bureaucratic activities.

The main qualitative element that does not allow for the creation of adequate levels of social capital is the existence and reproduction of modes of interaction that are particularistic and aim at capturing goods that are supposed to be public for private use. One of them is the combined notion of clientelism and patronage which together provide crucial explanatory concepts in this thesis. The terms describe methods of exchange between holders of public office and the public, in which the former employ the privileges that accrue from their position in order to gain spoils from the latter. Anthropological studies have adequately described the sort of interactions described by the concepts particularly with reference to Greece. What is interesting for the aims of the thesis is that despite the modernising reforms of Greece the clientelistic system of interchange has survived albeit in a different form. After the democratisation of the 1970s and 1980s it became a method of political incorporation and was thus transformed into ‘bureaucratic clientelism’.

The main force that has provided the stimuli for these modernising reforms is the Europeanisation of the country’s polity that has taken place during the last fifteen years. After a period of reluctant acceptance of even the basic obligations stemming from the participation in the then EC, the Greek attitude towards the EU changed substantially

40 Campbell, 1964.
41 Lyrintzis, 1984.
The concepts of Europeanisation of the administrative system in particular and the implementation of the public policies are employed in order to provide theoretical backing for this point. These two concepts attempt to conceptualise the process through which the participation in the EU impacts upon specific aspects of the domestic polity of the member states. In this case the focus is on the responses of the administrative authorities involved in the implementation of the EURP in Greece. During the third CSF, the implementation of the policy required the creation of new administrative structures – or the reinforcement of existing ones – that would manage the relevant programmes. The introduction of these administrative structures impacted directly on the process of state-society interaction, since the regulations that governed the operation of the programmes entailed specific and detailed rules about the involvement of both the private sector and representatives of civil society. The main result that is drawn in the thesis is that despite the creation of these new structures, the patterns of state-society interaction as they had been established in Greece changed very little.

1.6. Research Design

In order to provide a complete answer to the questions addressed in the thesis I employ an approach that falls broadly within the broader sub-discipline of comparative political economy and draws heavily on neo-institutionalism as a research approach.\textsuperscript{43} I ‘embed’ the

\textsuperscript{42} Dimitrakopoulos and Passas, 2004; Featherstone, 2005.
\textsuperscript{43} March and Olsen, 1989; North, 1990; Hall and Taylor, 1996.
policy actions of the EURP in the context of state-society interactions and attempt to establish the administrative procedures that were followed and can provide adequate answers to the research question that I pose. In addition, I utilise the perspectives provided by the comparative inquiry of political systems as my overall procedural approach. There are different types of comparisons that can be used depending on the questions asked and the ideological commitments of the researcher. One can compare variables in a purely mechanistic way and seek for application of the results in a broader framework. This would imply the collection of large amounts of mainly quantitative information. Alternatively, one can employ narrower definitions of comparison by only examining specific qualitative variables in a small number of cases. The present study tends to follow the rules of investigation provided by the latter tradition, stressing the importance of historically and culturally embedded processes in the explanation of social phenomena.

The distinctive element of comparative political economy is that it treats the markets and all other constitutive elements of capitalist relations as embedded in pre-existing cultural and institutional arrangements. In doing so it follows a tradition of scholarship mainly inspired by Polanyi and the institutionalist approaches in economics mostly established on the Continent. In this context, the nation-state is considered the most appropriate unit of analysis and the forces of internationalisation have a much smaller impact than is usually assumed in explanations that adopt an outlook more focused on global processes and outcomes. To be sure, each scholar of comparative political economy tends to emphasise different areas of distinctiveness of the nation-states. Some discuss the organisational differences that impact upon the inter- and intra-firm relationships, whilst others are mainly concerned with the role of intervening institutions such as the process of wage-bargaining in the policy-making process. The state’s role in the national markets is

---

44 Lichbach and Zuckerman, 1997; Newton and Deth, 2005.
46 Barma and Vogel, 2008.
47 Polanyi, 1957, also see Moore, 1966 for a more ‘bottom-up’ treatment of similar issues.
48 Hirst and Thompson, 1996; Pickel, 2005.
49 Jones, 2003. For a review of the relevant literature as well as the main issues that are discussed by this scholarship see Coates, 2000, 2005 and Hancke et al., 2007.
50 Hall and Soskice, 2001.
51 Schmidt, 2002.
indispensable in most accounts of comparative political economy.\textsuperscript{52} However, some treat the state as an autonomous actor with significant scope for independent action.\textsuperscript{53} This is the approach followed by the thesis.

In order to acquire evidence to justify the assumptions made by the conceptual framework that emerges from the conceptual framework described above, I employ a mixture of primarily qualitative and secondarily quantitative techniques. Firstly, a series of semi-structured interviews was conducted with employees of the administrative network created with the explicit aim to support the implementation of the third CSF in Greece. The interviewees were current and former employees of the Managing Authorities (MAs) from both sectoral and regional Operational Programmes (OPs). Also, interviews were conducted with employees of the central authority of the MA of the Ministry of the Economy –CSF MA- as well as with employees in other organisations of the same implementing network-for example the Paying Authority (PA). The aim was to acquire an accurate sample of employees from the national, regional and sectoral levels.

The choice of the interviewees was made in accordance with the snowball method of purposeful sampling. Essentially, I would contact specific individuals in each organisation and identify one who was willing to act as an initial interviewee and a gate-keeper to the employees of this organisation. Following this initial interview I would prompt them to recommend one or two other individuals that they thought would be appropriate for my research. I would then proceed to interviewing these employees and I would stop following this procedure at the point where I would recognise that the answers that I would receive were similar. At this point I would move to another organisation and follow similar patterns of purposeful sampling. I followed a similar approach with the European Commission employees involved in the process of the design and the implementation of the Structural Funds in Greece.\textsuperscript{54}

\textsuperscript{52} Hutton, 1995, 2002.  
\textsuperscript{53} Evans et al., 1985.  
\textsuperscript{54} A list with the details and institutional affiliations of the interviewees is available at the Appendix I at the end of the thesis.
Admittedly, conducting this short of fieldwork research in Greece proved to be a challenging experience and there were salient differences in the acceptance of the employees in Greece to provide an interview when compared with their Commission counterparts. Many of the difficulties that I identify in the thesis as the prime explanations in order to answer the research questions that I pose reflected on the process of trying to contact and organise interviews with employees. To be sure, it is easy for a researcher to be biased and seek for explanations that confirm their theories when conducting empirical research. Thus, the fieldwork research can become a process of self fulfilling prophecy in which one simply reinforces the assumptions that they have constructed before engaging in the process of collecting data. I tried to avoid falling into this trap although the series of practical problems that I encountered meant that sometimes this required significant effort.

In particular, given that I was based in Brighton, after three futile attempts to conclude the fieldwork in a logical time—in the summers of 2004 and 2005 and the spring of 2007— I decided that I would be able to proceed in acquiring an accurate sample of interviewees only by allowing for a substantial amount of time in the process. Therefore, I stayed in Athens four months of the summer of 2008 in order to allow sufficient time to conduct the interviews. This enabled me to allow for the last minute cancelations of the appointments with the interviewees—or even the no-shows at the mutually agreed specified time and/or the cancellation of the appointment after hours of me waiting—that were the main practical difficulties that I encountered. This was of course compounded by the very low response rate that the questionnaires that I would send as a precursor to the interview had received.

Furthermore, even when an interview was agreed I could not help but noticing that the interviewees were very reluctant to answer truthfully to the questions posed. Instead, they would only touch superficially to the questions asked and seemed to resort to describing official procedures with which I was already familiar. A general sense of defensiveness was also identified when specifically asked about any problems that they thought were encountered in the implementation of the programmes and some of the interviewees seemed keen to present an artificial image of efficiency in the programmes in which they were involved. In a few cases this attitude was practically translated to covert hostility.
towards the interviewer with some interviewees seemingly thinking that the aim of the semi-structured interviews was to unearth specific ‘scandals’ that blighted the implementation of the projects which of course was not my intention.

True, the defensive attitude of some of the interviewees and their reluctance to offer their time in order to conduct a semi-structured interview are understandable given the nature of the discussions that relate with the management of public funds in Greece. As will be shown in chapter 3 one of the endemic characteristics of the relationship between the Greek state and the surrounding socioeconomic environment is mistrust when it comes to the everyday activities of the country’s bureaucracy. In particular, people seem inclined to adopt generalisations about ‘corrupt’ and ‘incompetent’ public servants hence it makes sense that the latter are defensive when it comes to openly talking about issues of managing public funds. This of course reflects the low levels of social trust that are endemic in the Greek society in general which are also discussed in chapter 3. Furthermore, there is an implicit agreement in the coverage of issues relating with the civil service by the Greek media that most of the activities that it performs are inherently corrupt. Nonetheless, this eagerness to hold political and administrative actors to account for the deployment of public money is seldom -if ever- accompanied by serious investigative journalistic research that would substantiate these allegations. To be sure, as will be shown in chapter 3 corruption is indeed a significant problem especially at the local level but it is seldom -if ever- a strictly top down affair. There is considerable bottom up demand for bypassing official administrative procedures for the promotion of clientelistic interests and as will be shown in chapter 5 some of the media outlets themselves are active participants in this process. Therefore, given this social context, it is understandable that certain potential interviewees would become defensive when asked about instances of mismanagement since they may have been scared of being implicated in dubious practices.

Another issue that is discussed in chapter 3 and might have also affected the process of generating qualitative information through the semi-structured interviews is that of the political interference of the governing party in the workings of the country’s bureaucracy as well as that of the general politicisation of the country’s civil service. This process is practically translated into frequent changes of personnel at both the upper and the lower
echelons of the civil service or even the ‘freezing’ of certain civil servants every time there is a change of government if they are considered to belong to the political party that was previously in government. This situation was made clear to the interviewer during the fieldwork conducted in the Regional OP for Western Macedonia.

For the reasons outlined above, the fieldwork at the regional level had to be conducted in three separate occasions in 2004, 2005 and 2008. In March 2004 the new government of Nea Dminokratia (ND) was installed, so by the time I made the first attempt to conduct the interviews in the summer of 2004 no changes of personnel were made in the relevant MA. However, when I visited the MA for the second time in 2005 the changes in personnel were more than noticeable. In particular, certain heads of Units were in the midst of leaving their position and the rumours circulating in the MA were that this was because they were seen as belonging to the pervious governing party of PASOK.

Following that, when in 2008 I made a final attempt to conduct further interviews with employees of the ROP MA and looked at the organisation chart through the internet, there have been almost wholesale organisational changes with previous incumbents of higher positions disappearing altogether from the MA. This was despite the fact that as will be shown in chapters 5 and 6 the MAs were introduced with the explicit aim to overcome the problems of politicisation and party politics interference that has been an endemic part of the Greek public administration in the past. Hence, given the climate of instability that hung over the civil servants, it made sense that some of them would be reluctant to offer a semi-structured interview or speak frankly to the interviewer for fear of possible recriminations that would count against them in the changes described above.

In the case of access to the ROP I managed to partially overcome these difficulties by utilising as a gatekeeper to the MA of the ROP for Western Macedonia a contact that I had established with an employee during my brief spell as a regional policy consultant in Athens in 2003. The consultancy that I worked with was conducting evaluations of the regional OP for this region hence I could identify this employee. Thus, although I acknowledge that due to its size and geographical position this particular region is probably
not the most representative of the 13 Greek regions, the practical advantage of having access to its employees were the most important factor in choosing it. Having said that, there are similar problems affecting the institutional capacities of the regional MAs in Greece; hence the regional OP is not completely inappropriate as a regional case study. Besides, I had the opportunity to discuss these issues with both employees that managed sectoral OPs and collaborated with regional MAs as well as with former employees of regional OPs that then moved to work in a sectoral OP or have since retired.

As a result of these difficulties I had to refocus my research to the whole of the third Community Support Framework (CSF) in Greece instead of focusing exclusively at the regional level, which was my initial research aim. Admittedly, certain interviewees at the central level -especially those working in the CSF MA- were more than willing to offer their time in giving me such an interview. Although the problems relating with time management were not wholly overcome in that level either, the employees of the CSF MA as well as the sectoral OPs that were based in Athens were more open to discussing in an open manner the research questions. I can only speculate that this enhanced level of openness is linked with the interaction that these employees have had with the Commission throughout the programming periods since the employees of the CSF MA are the official interlocutors of the Greek government in its communication with the Commission as far as the EURP is concerned. As the Commission conducts evaluations of the CSFs which involve the generation of qualitative information through semi structured interviews, it may have been the case that employees at that level were more used to the idea of offering their subjective perspectives as far as the progress of the EURP was concerned, which is one of the aims of conducting such an interview.

Most importantly however these difficulties prompted me to follow a line of enquiry that was interested in broader aspects of institutional interaction rather than to analyse individual administrative processes for the implementation of the structural funds. As will be shown in chapter 4 the regulatory framework that accompanies the implementation of the EURP in the recipient countries entails the adoption of a series of principles and management tools in the operation of the relevant implementing bodies. These aim at
improving the internal capacities of the administrations that implement the programmes as well as their capacities in working with the surrounding socioeconomic environment. Moreover, the aim of these principles and tools is to provide sufficient spillovers to the broader policy making machineries of the recipient countries thus providing the opportunities for the creation of long lasting effects through the execution of the policy. In particular, the principles and management tools of programme design, financial management, evaluation and reporting aim at improving the internal administrative capacities of the recipient countries. Those of partnership, project selection and monitoring aim at affecting the manner in which the implementing bodies would interact with the surrounding socioeconomic environment. Certainly, this dichotomy is not absolute and there is interaction amongst the operations described.

Given that as will be shown in chapter 3 the Greek state has never managed to develop institutional capacities that could promote a coordinated programme of socioeconomic transformation, the influences exerted through the principles and the management tools would be more that significant in altering these dynamics. Moreover, identifying this influence in relation with the EU, thus substantiating more explicitly the parts of the conceptual framework that relate with Europeanisation would also be important. Hence, it would be interesting to distinguish the extent in which any Europeanising influence was internalised in the domestic administration through any of these tools and principles or whether the already existing top-down and bottom up characteristics of the Greek political economy proved indisposed to any such influences. However, the difficulties that I encountered in conducting the semi-structured interviews proved detrimental in not allowing me to pursue this line of enquiry with more vigour. For example, the identification of the exact processes that were followed in the implementation of the management tool of project selection would surely touch on sensitive issues of corruption which I discussed above.

Most importantly the difficulties were more salient when it came to the identification of the influences exerted through the regulatory framework accompanying the implementation of

---

55 EPRC, 2009.
the EURP in connection with the manner in which the administrative authorities interacted with the surrounding socioeconomic environment. My initial research design involved identifying and interviewing representatives of socioeconomic interests as they participated in the institutional network either as Intermediate Bodies (IBs), final beneficiaries and/or members of the Monitoring Committees (MCs). This would have been particularly useful given the importance that I attach in the theoretical insights offered by the concept of ‘embeddedness’ and would provide empirical backing particularly in connection with the implementation of the principle of partnership.

During the three periods that I conducted the fieldwork I attempted to conduct interviews with representatives of civil society organisations that participated in the CSF MC as well as the MC of the regional OP for Western Macedonia. However, I encountered significant difficulties in establishing relationships of trust with these actors, whilst it became obvious that their knowledge on issues relating with the third CSF was partial to say the least. This of course was not as important an issue as the fact that -in most cases- after repeated attempts to pinpoint the relevant actors through examining the minutes of the MCs I realised that most of the organisations representing civil society either did not exist in reality or the volunteers that worked there could not identify specific actors that participated in the MC. If anything, these problems in conducting this part of the fieldwork provide empirical backing to the problem of the low levels of social capital and civil society in the country.

In consequence, I integrated the discussion about the influence of the regulatory framework that governs the operation of the EURP to the research that dealt with broader aspects of inter-institutional cooperation in the framework of the third CSF. Although this was not my initial research aim I found out that this line was equally important to my initial aims. This is the case because the administrative network that was introduced in Greece in 2000 has not been researched in its entirety before. As was mentioned above, it was created with the explicit aim to overcome the rigidities of the Greek civil service that I described above and impacted upon the process of fieldwork. Moreover, its introduction has signalled some important innovations in terms of policy orientation and administrative planning. It was the
first time that such an administrative network with specific operational purposes for regional and sectoral interventions was created. Furthermore, the fact that it was endowed with such constitutional autonomy from the core civil service of the country made it a potential vehicle for the creation of spillovers to the political and administrative systems of the country. Thus, the research direction that I followed as a result of the difficulties that I initially encountered gave me the opportunity to study in depth the extent to which these aims were achieved in the third CSF. That does not mean of course that specifying the patterns of Europeanisation in connection with the specific regulatory requirements of the EURP is not a research avenue worth pursuing in the future. If anything the results of such an endeavour would enhance those presented in the thesis.

The fieldwork that involved semi-structured interviews with employees of the sectoral and regional MAs was complemented by desk research covering programme documentation, implementation reports, evaluations and Greek media reports. This involved Greek media reports from the main Greek daily newspapers which provided coverage for the issues that I identified through the interviews as significant impediments in the implementation of the third CSF in Greece. Admittedly, newspaper articles can suffer from reduced legitimacy when compared to other research methods. Nevertheless, they can also provide some insights about the inner workings of the institutions involved if they are used in combination with other research methods. The documentary research involved Greek Government documents and particularly the ones that support the sectoral and regional OPs as well as minutes of the CSF Monitoring Committee of the third CSF. Admittedly, the incorporation of specific actions for the enhancement of information technologies in the second and the third CSFs meant that a set of useful information that would otherwise be inaccessible became available through the internet. Finally, the documentary research involved the documents that the DG Regional Policy of the Commission makes available in the form of Progress and Cohesion Reports as well as the Annual reports on the implementation of the Structural and the Cohesion Funds and the ex post evaluation of the ERDF interventions for the period 2000-2006. The Annual Implementation Reports provided significant sources of information relating with the practical aspects of the implementation of the projects financed by the Structural and the Cohesion Funds.
particularly as far as the rhythm of the execution of the programmes was concerned. Also, they were a useful source of information in order to substantiate the specific problems that some of the projects financed encountered. Where for example the reports by the Greek dailies were useful in describing the broader aspects of the third CSF that proved problematic, the Annual Reports could identify specific implementation difficulties.

In addition, quantitative information that describes specific aspects of the Greek state is employed in order to provide a context to the arguments that I present. They originate from World Bank publications and specifically the Governance indicators. These are useful indicators that attempt to quantify issues such as government effectiveness, the rule of law, control of corruption, and accountability and regulatory quality. Moreover, the interactions between the Greek state and the surrounding socioeconomic environment are discussed with reference to a series of variables. The extent of the ‘shadow economy’, comparative levels of corruption, trust of citizens in the civil service, and a series of indicators about the levels of social capital are presented. While these are data which have been collected by other researchers, they are a useful resource to draw upon, and together with the World Bank Governance indicators they highlight the context in which the Greek state’s implementation of the EURP was taking place.

1.7. An overview of the structure of the thesis
The introductory chapter has presented a general statement of the empirical aims of the thesis and the conceptual framework that it develops in order to answer the research questions. As discussed, the broader aim is to account for the ineffective deployment of the opportunities offered by the EURP in Greece. This is done through the incorporation of two branches of literature and the deployment of qualitative and quantitative research methods. Chapter 2 analyses in greater depth the conceptual framework of the thesis. In particular, it begins with an elucidation of the concepts of the internal and interactive state capacity. The main point that I make is that the two spheres of internal and external state action are not researched in isolation from each other. I avoid conceptualising the patterns of this interaction in zero-sum terms and I present them as an entity with distinct yet simultaneously complementary characteristics.
The second element of the conceptual framework that I offer – that of the comparative approaches to analysing the relationship between the EU and the member states – is presented in the next sections of chapter 2. It begins with a short discussion of the theories that attempted to conceptualise the process of European integration. The limitations of these theories are addressed by the theories of Europeanisation and implementation, which are discussed in the two sections of the chapter. They both share a conceptual interest in capturing the specificities of the dynamics between the member states and the EU and particularly the impact that the participation in the supranational entity has for specific sectors and/or policy areas in the countries. Finally, the theories that examine the patterns of implementation of the EURP through the conceptual prism of administrative and absorption capacity are reviewed in the last section. These integrate the points made in the previous theories as they focus on issues of capacity and the impact of Europeanisation simultaneously.

Chapter 3 attempts to provide the first empirical substantiation of the hypothesis that I provide through the conceptual framework presented in chapter 2. It is divided into three sections, with each one addressing one of the elements of the conceptual framework. Thus, the section after the introduction discusses the internal capacities of the Greek state and puts forward specific characteristics of the Greek state as constituting the limited abilities for successful coordination of its actions. Then, a series of issues that hinder the ability of the Greek state to form meaningful state-society synergies with the actors representing civil society and the industry are discussed. The final section discusses the process of Europeanisation in the country and the patterns of compliance of domestic institutional and administrative actors with EU requirements.

Chapter 4 discusses the concept of the ‘added value’ that accrues for the member states through their participation in the EURP and is divided into three main sections. The first part attempts to locate the debates that surround the need for the existence of a supranational redistributive policy in the theoretical discussions that informed its establishment. Moreover, it provides a description of the political and financial details that have been accompanying its execution and how they developed historically. It then focuses
on the principles that govern the operation of the EURP and discusses the role that each of these is supposed to play in the different stages of the policy. The final section attempts to link the material that was provided in chapter 4 with the information that I presented in the previous chapters.

Chapters 5 and 6 focus on the empirical aspects of the implementation of the EURP in Greece, mainly during the third CSF but also throughout the previous three programming periods. Chapter 5 discusses the main difficulties that were presented to the domestic authorities during the implementation of the EURP. Chapter 6 then focuses on the institutional impact that the EURP had for Greece. In particular, the first section of chapter 5 provides a brief discussion of the ‘regional problem’ that the country faces, which the EURP was supposed to help in solving or ameliorating. The next section of the same chapter discusses the main parameters of the patterns of the implementation of the first IMPs and the first two rounds of coordinating assistance in the form of the first and the second CSF. It also discusses the legacy that the implementation of these three rounds of structural assistance has left for the third CSF, which is the focus of the next two sections. In particular, the subsequent section presents the main financial and programming details of the third CSF for Greece, whilst the penultimate section elucidates the main problems that were presented during the process of the implementation of the programme as they were revealed during the fieldwork. This section is sub-divided in five sub-sections each one addressing the specific issues that have hindered the implementation of the third CSF in a more effective manner.

As I mentioned above, chapter 6 focuses on the institutional issues that affected the implementation of the CSFs in Greece. The section that follows the introduction elaborates on the institutional authorities that implemented regional development policies in the country before 1986 and after the introduction of the first IMPs. Then the focus moves on to the institutional issues that affected the implementation of the first and the second CSFs, whilst the subsequent section examines these issues about the third CSF. This section is also subdivided in four sub-sections each one of which discusses the difficulties that the institutional authorities faced during the implementation of the third CSF as they were
revealed through the fieldwork. The penultimate section attempts to link the conceptual framework with the domestic institutional issues. It does so by examining how issues of state-society interaction interacted with the tangible effects of Europeanisation that the introduction of the institutional network for the support of the third CSF signalled.

Chapter 7 concludes the research and presents the main substantive findings. After a brief introduction, the second section provides an overview of the research aims and empirical findings. The third section discusses the limitations of the existing literature on the EURP and the Greek political economy and the ways in which the thesis attempts to address them. The fourth section focuses on the policy implications that arise from the thesis in relation with the EURP and the other recipient countries.
Chapter 2. The Conceptual Framework

2.1 Introduction

This chapter examines the conceptual framework that I employ in order to answer the research questions posed in the thesis. It discusses the theories that examine the internal and the interactive capacities of a state as well as the comparative approaches in the study of the relationships between the EU and the member states. Specifically, the next section presents the theories that focus on the internal capacities of the state. Then the focus turns to the capacities of the state to interact successfully with the surrounding socioeconomic environment. The conceptual framework is enhanced through the incorporation of the insights offered by the theories that attempt to capture the dynamics of the complex and often contradictory forces between the EU and the member states. In order to achieve this, the theories of Europeanisation and implementation are discussed in the remaining sections of chapter 2. The chapter finishes with a discussion of the theories of administrative capacities in the context of EURP implementation, which incorporate elements from both the theories on state capacities and Europeanisation/implementation.

2.2. Internal state capacities

The internal state capacities are discussed in this section with reference to Evans’ distinction of the states as either ‘strong’ or ‘weak’ ones. This classification is performed in accordance to their administrative capacities. In short, a strong state is one which:

in the first respect has a bureaucracy that is sufficiently resourced and trained and is able to carry out the policy. In the second it needs to enjoy sufficient independence from firms and other actors to pursue wider public interests while at the same time engaging with those groups in order to define and follow up those wider goals.

Evans employs the concept of the ‘Weberian’ bureaucracy in order to illustrate the manner in which an administration needs to operate in order to be successful in its intervention in the socioeconomic domain. Weber himself analyses different aspects of national bureaucracies; his main contribution in the comparative analysis of the bureaucratic

56 1995.
57 For a discussion of broader parameters of this literature see Skocpol, 2008.
structures is the fact that he draws attention to the internal organisational features of national bureaucracies and in particular their role in promoting or hindering development. In this discussion the implication is that contrary to the popular identification of too much bureaucracy in an economy with unproductive activities, more bureaucracy is needed in order to promote development rather than hinder it.

To be more precise, Evans and Rueschemeyer provide a description of the Weberian state as:

\[\text{a set of organisations invested with the authority to make binding decisions for people and organisations juridically located in a particular territory and to implement these decisions using, if necessary, force.}\]

Furthermore, Evans claims that a state apparatus that promotes development should operate according to the principle of meritocracy, provide long-term career paths to its employees and create a stable system of incentives in accordance with rules and established norms. In addition, apart from the formal elements of the structure of a national bureaucracy, what is equally important is the existence and development of informal networks between the civil servants.

Moreover, there are some additional characteristics that the actors that participate in a state with strong internal capacities, that is the state officials, must obtain, apart of course from the very high level of skills acquired at the University or National Public Administration Schools. To begin with, the state bureaucracy is motivated by the type of ambition that Loriaux describes in his discussion of the French ‘developmental state’:

\[\text{that ambition is not only one of economic growth but also one of protection and promotion of the national interest, as perceived or determined by the administrative elite. The developmental state elite often directs its attention to perceived vulnerabilities, such as dependence on foreign suppliers … the ambition can assume revolutionary dimensions when the state bureaucracy seeks to address those vulnerabilities by promoting radical change in social structures and norms.}\]

In order to promote that ambition, the state officials should have the power to employ the mechanisms they think appropriate in that direction. There are some important normative

\[\text{59 Evans and Rueschemeyer, 1985.}\]

\[\text{60 Loriaux, 1999.}\]
elements in the approach suggested here in that clearly the ambition described does not refer to the standard macroeconomic criteria that usually determine the outcome of developmental policies based on neoclassical grounds. Indeed, Loriaux goes on to specify the moral ambitions of the successful interventionist state as those goods such as ‘social stability’, ‘social cohesion’, and ‘self-sufficiency’ which ‘are not valued solely or even primarily for the economic externalities they produce’. A similar point is made by Johnson when he discusses the differences between the ‘market-rational’ and the ‘plan-rational’ states. He points out that in the former, the main criterion employed in order to evaluate government actions is that of ‘efficiency’, whereas in the second type – in which the state plays a much more active role – ‘effectiveness’ is the proper standard of evaluation of policy-making by the government.

Achieving these objectives cannot be realistically expected by a government with departmental agencies that are likely to fail to coordinate between them. The policy objectives of each agency are likely to create situations of inertia that might jeopardise any developmental project. A social policy ministry is more likely to promote expansionary measures that alleviate the difficulties faced by specific social groups whilst a finance ministry is more likely to advance policies of austerity. Conflicting priorities of this type are likely to result in the state being unable to coordinate any programme of industrial transformation. For these reasons a ‘developmental state’ needs to be coordinated by a separate agency that works above the existing ones and is endowed with the specific task of promoting rapid socioeconomic transformation. Hence, apart from the obvious characteristics of the internal Weberian bureaucracy, a ‘developmental state’ must cater for the creation of an extra layer of bureaucracy that is endowed with the assignment of coordinating the other governmental agencies involved. Furthermore, it needs to enjoy operational autonomy from the broader machinations of party politics and governmental rivalries. This was the role played by the MITI according to Johnson’s account in Japan and also by the Economic Planning Board (EPB) in Korea.

61 ibid.
Therefore, the internal administrative capacities are important in determining the possibility of the emergence of a ‘strong’ state. A state needs to enjoy strong internal corporate coherence and as much autonomy as possible from the broader political realities of the country in which it operates. Moreover, it needs to enjoy the backup of a judiciary that can provide the capacity to apply the rule of law through the developmental policies that it attempts to promote. Nevertheless, by this it should not be inferred that a state with robust internal capabilities is capable of imposing its views evenly across all sectors where policy is conducted.\textsuperscript{64} Instead, what most commonly occurs is that states, for various reasons, develop strong capabilities in certain sectors and might be unable to enforce their views in others. In this particular context the focus is obviously on developmental policy and on administrative capability, which is defined as ‘the capacity to devise and implement policies that augment society’s investible surplus’.\textsuperscript{65}

\subsection*{2.3. Interactive state capacities}
So far I have highlighted the importance of the state possessing the internal capacity to coordinate and facilitate the transformation of the domestic economy. However, while this capacity is a necessary prerequisite it is not sufficient. The state cannot be isolated from its socioeconomic surroundings. This section therefore focuses on the external ties that a state needs to have with the surrounding socioeconomic environment in order to achieve its developmental objectives. In addition to stressing the internal requirements of the state, Evans emphasises the way in which the administration works with the private sector or other societal actors, especially those involved in the process of development. The focus here is on the external ties that connect the state with civil society\textsuperscript{66} and industry. Generally, the state that works according to a ‘developmental’ scheme can also be characterised as a case of ‘embedded autonomy’ in which states and industry collaborate in a positive manner in order to accomplish a common vision of economic transformation. Conversely, the ‘predatory state’ will largely ignore any participation of societal actors in the policy-making process and will either operate along authoritarian lines or fail to

\textsuperscript{64} Weiss, 1998.
\textsuperscript{65} ibid.
\textsuperscript{66} For normative discussions of the concept of civil society and its relationships with the state see Keane, 1998a, and Keane, 1998, b.
implement successfully any project of economic development. An ‘intermediate state’ has either not taken the necessary actions in order to operate as a ‘developmental’ one, or having done so, the structures of the country were not appropriate for that type of intervention because of the diminished capacities of either the state itself or civil society or both of them.

The explanatory concept of ‘embeddedness’ is central to the works of social theorists that discuss the ways in which the social structures impact upon an individual’s actions. Polanyi originally made use of the concept to exemplify the way in which capitalist relations – in particular those revolving around market functions – are inextricably constrained by pre-existing institutional and cultural structures. Additionally, Granovetter employs the concept in the discussion of the ways in which social structures affect both individual behaviour and institutional outcomes. By doing so he provides a middle range theory between the utilitarian accounts of individual action and those accounts that assign sole importance to the socially constructed incentives of the individuals. Furthermore, it is worth noting that the different ways in which the notions of ‘embeddedness’ are employed in social sciences lead to the establishment of a distinct field of studies of structural analysis in sociology, economics and politics. In this context, Hollingsworth and Boyer provide an elaboration of the embeddedness of the markets in the social and institutional arrangements of different localities in all three territorial levels of analysis.

In the thesis, the concept of ‘embeddedness’ is employed in order to describe the collective outcomes of the collaboration – or rather lack of it – between public officials and societal actors that are supposed to respond to the developmental incentives provided by the state. Evans suggests that although the above-mentioned internal elements of a national bureaucracy provide for the autonomy of the state from the wider political machinery, they do not necessarily mean that the state is insulated from the society as well. As he puts it:

> [on] the contrary, these internal characteristics are embedded in a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and re-negotiation of goals and policies. Either side of the

---

67 Polanyi, 1957.
68 Granovetter, 1985.
69 1997
combination by itself would not work. A state that was only autonomous would lack both sources of intelligence and the ability to rely on decentralised private implementation. Dense connecting networks without a robust internal structure would leave the state incapable of resolving “collective action” problems, of transcending the individual interests of its private counterparts. Only when embeddedness and autonomy are joined together can a state be called developmental.

Therefore, Evans attempts to avoid theorising about the state and the society in zero-sum terms, which is for example what Migdal does. Instead, he aims to integrate the state-society analysis in a distinct conceptual framework that can capture the particularities of their interactions. Similar to Evans, Weiss also assigns much importance to the interrelationships between the state and society and avoids theorising them as separate entities. In doing so, she elaborates Evans’ concept of embedded autonomy and introduces the concept of ‘Governed Interdependence’ which refers to a specific kind of institutionalised linkage between the government and the surrounding socioeconomic environment. As she puts it:

in a system of Governed Interdependence…the question of “who initiates” loses much of its meaning and importance. Both the state and industry can and do take policy initiatives but this takes place within a negotiated relationship in which the state retains a guiding role, exercising leadership either directly or by delegation to industry.

Therefore, through a system of ‘Governed Interdependence’, far from losing in strength, the state actually gains by delegating responsibilities to the non-governmental actors, as the projects that it initiates are implemented more effectively. Furthermore, this relationship is institutionalised, with the state using its technical expertise in order to provide information and guidance in exchange for the commitment of the non-state actors to collective goals of development.

Following this line of argument, in a later addition to his theory Evans discusses the concept of ‘state-society synergy’, with synergy referring to mutually reinforcing relations between governments and groups of engaged citizens in the area of a developmental policy.

---

70 Evans, 1995.
73 ibid.
74 Evans, 1996.
He distinguishes between two elements that constitute synergy: complementarity and embeddedness. The former is described as ‘synergy based on complementary actions by government and citizens’ and the latter as ‘synergy based on ties that cross the public-private divide.’ He goes on to assert that complementarity entails a clear division of labour between the government and the non-governmental actors. Each one delivers the outputs that it is best suited to deliver and putting them together produces greater results than what would be produced if the two acted separately. For example, the state delivers an environment in which the rule of law prevails, which increases the effectiveness of local organisations and institutions.

Furthermore, complementarity can also promote the formation of social capital and a vibrant civil society in an area. This is achieved through the incorporation of the notion of ‘embeddedness’ which provides the institutional potential for the fruition of the complementary activities. In this sense the synergistic relationships that are developed in accordance with complementarity are reinforced through embeddedness and the two turn out to be mutually supportive. In empirical terms, an example would involve government officials being directly involved in trying to create better horizontal relationships amongst the stakeholders that participate in a developmental programme. Through this, they attempt to increase the levels of trust amongst the latter and provide the necessary presuppositions for productive interaction. They will do this, however, without leaving the bureaucratic roles which they sustain throughout the process. Therefore, through the incorporation of the concept of embeddedness, complementarity is enhanced, since social capital enters the conceptual discussions.

On the whole, the literature on ‘social capital’ is extensive; Putnam explains the normative implications of the concept together with evidence that relate declining levels of civic association in the USA. The concept of ‘social capital’ and its relationship with

---

75 ibid.
76 ibid.
77 ibid.
78 2000
development in particular is usually associated with the research provided by Putnam\textsuperscript{79} and his associates on the correlation between the low levels of civic engagement and economic underdevelopment in Southern Italy. To be sure, Bourdieu was actually the first to elaborate the concept.\textsuperscript{80} Nevertheless, as Outhwaite\textsuperscript{81} puts it:

Bourdieu’s focus is closer to Marx in looking at the way in which these forms of capital and the ways in which they are used by their bearers reinforce social inequalities and antagonisms between classes.

The results of Putnam’s and his associates study in general and particularly the fact that the Southern part of the country is juxtaposed with its Northern counterpart as far as economic development and levels of civic association go, attracted extreme levels of disagreement from several theorists. Apart from scepticisms expressed about the normative implications of the concept as such it is thought that other historical and economic reasons are more suitable to explain the North-South divide in Italy and similarly economic inequalities inside a nation’s territory in general.

In particular, it is thought that the ‘social capital’ theories do not address collective outcomes but are very much preoccupied with the role of the individual in an entity. That persistence on individual action makes it rather difficult for the theories to be differentiated from other theories such as ‘public choice’, which seem to be using the term ‘public’ or ‘social’ in an abstract way. In addition, the rather simplistic nature of explaining the creation and constellation of social interests in a locality, that is the perceived homogeneity of interests and the insufficient description of class struggles among a population make the theories of ‘social capital’ insufficient for explaining issues of underdevelopment.\textsuperscript{82} In the same vein some analysts think that what Putnam does is to actually romanticise a ‘for ever gone’ community, which probably did not even exist.\textsuperscript{83} That is the case mostly about ‘Bowling Alone’ in which Putnam contradicts an old period of increased collectivist spirit in the American society with the modern lifestyle of individualisation. Finally, the usage of the theory in a positive fashion, in other words the quest for the ‘top-down creation’ of civil

\textsuperscript{79} 1993
\textsuperscript{80} Fine, 2001.
\textsuperscript{81} 2008.
\textsuperscript{82} ibid
\textsuperscript{83} Levi, 1996.
structures in a lagging area or the explanation of divergent economic performances exclusively due to the lack of civil structures adds to the frustration caused to some by the theory.

Despite the justified –to a certain extent- criticisms that can be addressed to those theories that employ those particular pecuniary elements of social interaction –trust, capacity for associational relationships- in order to describe an areas’ developmental prospects, a particular perspective of ‘social capital’ theory is necessary, if anything for analytical purposes.\textsuperscript{84} In such a perspective, the actions of the government are still the centre of the analysis, however the state officials are not considered isolated from the society that surrounds them. Rather, they participate in the latter not only as citizens themselves but also during the course of their operation as agents of development. The former perspective can elucidate cases of corruption or rent-seeking activity on behalf of public officials, whilst the second can be of use for the description of developmental projects. The state cannot be considered to be working in separation from the society or vice versa.

Broadly, that is the approach taken by Evans in his examination of the synergistic relationships between the actions of the government and the surrounding society. He does favour the adoption of a method that spans the ‘public-private divide’ and examines the state-society linkages in a thorough way. He also accepts the supposition made by Putnam and his associates about the crucial role played by the low ‘endowments of social capital’ in the Southern part of Italy that lead to its underdevelopment relatively to the Northern part.\textsuperscript{85} Nonetheless, he comes to the conclusion that the Third World countries, which he examines and seem to lack in the incorporation of successful state society ‘synergy’, are not short of pools of ‘social capital’. Thus, he points out that ‘based on these cases it seems reasonable to argue that if synergy fails to occur, it is probably not because the relevant neighbourhoods and communities were too fissiparous and mistrustful but some other crucial ingredient was missing’, adding that ‘the most obvious candidate for the missing ingredient is a competent, engaged set of public institutions’.\textsuperscript{86}

\textsuperscript{84} Rothstein, 1998; 2005.
\textsuperscript{85} 1996.
\textsuperscript{86} Ibid.
There is an additional argument that can justify the usage of elements of the theory that was elaborated by Putnam and his associates when examining the interaction between different layers of social analysis. Although the thesis does not adopt an approach that favours the adoption of geographical factors in determining developmental outcomes, the fact that the type of policy that is examined requires the active participation of actors at the regional and the local levels cannot be ignored. Having said that and since the influence of the ‘embedded’ elements of social interaction in individual action is a central principle in the thesis we must acknowledge that as Hollingsworth and Boyer put it:

\[
\text{at the regional and local levels, trust and tacit knowledge are better nurtured within communities and networks'.}^{87}
\]

That point is later enhanced when they point out that the institutional arrangements of the local communities are based on trust, reciprocity or obligation and thus are not derived from the pure selfish computation of pleasure and pains.\(^{88}\)

To conclude, the current section attempted to provide the first component of the conceptual framework employed in the thesis. In particular, it broadens the concept of state capacity which was discussed in the preceding section by integrating the conceptual discussions that analyse the interactive capacities of the state-society relationships. Robust internal bureaucratic structures can only result in successful developmental interventions if they are complemented by successful state-society synergies. These are achieved through a combination of complementarity and embeddedness. However, as Evans puts it:

\[
\text{Complementarities create the potential but do not provide an institutional basis for realising it. Most examples of synergy involve concrete ties connecting state and society which make it possible to exploit complementarities. Norms of trust built up from intimate interaction and are not restricted to relations within civil society. People working in public agencies are closely embedded in the communities they work with, creating social capital that spans the public-private divide.}^{89}
\]

### 2.4. Europeanisation

On the whole, the study of EU integration is conducted by those theorists who view the EC/EU as a product of negotiations between sovereign member states and those who

---

87 1997.
88 Ibid.
89 Evans, 1996.
theorise it as a distinct supranational entity that enjoys significant leeway for autonomous action from the constraints of the member states. In the first case, European integration is driven by the interests of the participating countries, which have created a supranational organisation with functional characteristics and responsibility in areas of ‘low politics’. In the latter, the project of European unification is viewed as a distinct case of the creation of distinct supranational functional interests which in the future could take a discrete form. Usually, the former contributions arrive from the field of International Relations (IR) whilst the latter employ methodological tools that are usually associated with comparative politics and public policy.

The discussion about the roots and the impact of the project of European unification has contributed significantly towards an understanding of the unique political experiment which is the EU. However, it suffers from a series of weaknesses: firstly, it fails to account for the role that other mediating factors play in the interplay between the member states and the EU. The assumption that on the one hand the member states are passive pawns that adopt activities stemming from the EU or conversely that the EU becomes uniformly influenced by the countries that participate, regardless of their national histories and cultures, is difficult to accept. In order to compensate for these shortcomings, a number of middle range theories, broadly influenced by neo-institutionalism, have been developed in the last fifteen years. Their conceptual objective is not to disregard the traditional theories of European integration but rather to supplement them by providing additional levels of analysis and also explanatory frameworks. Two of them are discussed in this context: firstly, the approaches that are broadly included under the rubric of Europeanisation and secondly those of implementation of EU policies. The former are discussed in the remaining of this section.

Europeanisation is a relatively recent addition to the theoretical literature on EU Studies, embracing both the process of European integration and the dynamics of European social

---

90 Rosamond, 2000; Dinan, 2000; Wiener and Diez, 2003; Wallace et al., 2010.
and political change. The starting point of the arguments employed by the writers that employ these theories is that since the European integration is currently established in specific areas, the theoretical justification for examining only the supranational elements of that cooperation is not always obvious. They suggest that we cannot ignore the fact that for many countries the external pressures emanating from Europe –through the EU- exist and the EU has a direct influence on these countries’ domestic political and institutional developments. Therefore, they propose a conceptual framework that is sensitive to this reality and examines the influence that domestic mediating factors play in the relationship between the domestic and the supranational levels. An extensive account of the theoretical discussions that have been proposed in this area falls outside the scopes of this paper. It could be generally argued however that the principal theoretical and empirical aim of these studies is to capture the impact that the membership in the EU has on different domestic institutional spheres. The national parliaments, party systems, patterns of interest intermediation, state structures and territorial relationships are some of those institutional spheres. Furthermore, it is obvious that there are two issues that seem to be common in these discussions. Firstly, that there is little convergence amongst the member states as far as their adaptation in the common EU policies is concerned. Instead, divergent outcomes in what is considered common regulatory influences emanating from the EU are the norm. Secondly, the precise outcome of these interactions is dependent on the ‘goodness of fit’ between the supranational requirements and the pre-existing domestic political and institutional practices.

The EURP is the policy that entails specific and tangible impact of Europeanisation through the introduction of the common regulatory framework that guides its activities; hence, it has gained prominent attention in these debates. In this context, Leonardo offers a conceptual framework that aims at addressing the possible responses of the domestic national and sub-national governmental authorities to the structural funding of the 2000-2008 period. He distinguishes between three types of possible administrative responses, namely negation,

96 Ladrech, 2010.
97 2005.
adaptation and learning. In the case of negation, the domestic administrative authorities reject the rules and regulations that are attached as requirements for the implementation of the programmes. This is not necessarily an ‘irrational’ response as it could be justified in accordance with previously embedded internal administrative and political practices. The costs of internalising the norms and procedures inherent in the new regulations outweigh the benefits, hence the negative administrative attitude. The impact of this will be minimal socioeconomic growth even though that comes as an unintended consequence of the practice of negation.

The process of adaptation of the rules and regulations entails a passive incorporation that aims at as little administrative innovation as possible. The relevant national and regional authorities adopt the processes in an incremental manner and they attempt to ‘compartmentalise’ any institutional effects into a narrow administrative area. What is important in this case is for the authorities to be seen to adopt the regulations in a constructive manner even though the reality is different. In practice, there is limited usage of methods of regional planning, management and reporting procedures, resulting in the partial expenditure of the funds. The socioeconomic impact of the policy is more significant than in the previous case, albeit not as important as it was initially aimed to be.

Finally, in the case of learning, the domestic national and regional authorities fully comply with the new rules and regulations and try to take full advantage of the structural spending. The new rules are internalised by the relevant bureaucracies and trickle down to other collaborating administrative agencies. The policy results in an increased institutional capacity, stemming from substantive changes taking place both at the individual and the structural level of the actors involved. There is a healthy collaboration between the national and sub-national policy actors with their Commission counterparts, and most importantly, meaningful partnerships develop with socioeconomic actors. As a result, the policy achieves most of its objectives in terms of job creation, increased private investment and output growth. A useful sketch of the possible responses in the EURP principles and management tools is presented in the Figure 1.
2.5. Implementation of EU policies

The theories that examine the patterns of implementation of the EU policies by the member states aim at explaining the divergence in the application of the directives and regulations that govern the activities of the EU by some member states. In other words, the initial question in that line of enquiry is fairly straightforward: what happens to the decisions taken by the EU Council, the Commission and the European Parliament, or all of them – in those areas in which methods of co-decision apply – when they are to be transposed to national laws? Since the legal capacity of the EU to enforce that legislation, either via the Commission or the European Court of Justice (ECJ) in cases of infringement, is limited in particular policy areas (notably the Competition policy), it is mostly up to the national authorities to enforce the legislation. By definition that process has direct implications about the patterns of enforcement of the common EU policies with the EURP being one of
them. This is the case especially since much of the legislation that governs the EURP is deliberately left to the discretion of member states in order to take account of specific national, regional and local circumstances.\textsuperscript{98}

After a relatively late start, the studies that examine the patterns of enforcement of EU legislation by the member states have grown considerably in the last twenty years.\textsuperscript{99} As with the theories of Europeanisation, an extensive discussion of the theories of implementation falls outside the scope of this chapter.\textsuperscript{100} Nevertheless, it is important to attempt a presentation of the theories that inform the empirical material presented in the rest of the thesis. To start with, Cini\textsuperscript{101} discusses the implementation of EU policies with reference to the distinction between two types of implementation theories, which in turn determine the political actors that are mainly responsible for the perceived implementation problems. In particular, she distinguishes between the top-down as opposed to the bottom-up perspectives of the causes of the implementation deficits. This follows the dichotomy attempted by the traditional theories of implementation which identify similar processes in operation in every policy field.\textsuperscript{102} Following a similar line of enquiry, Lane\textsuperscript{103} and Parsons\textsuperscript{104} distinguish between two models of theories of implementation – albeit not in the EU context – as those of top-down and bottom-up. Lane furthers his analysis by pointing out that implementation is not similar to the evaluation of outcomes of a policy intervention. Rather, it implies a process which is not easily measurable but must be constantly revisited during the policy cycle. It can come up as a result of both ‘control and hierarchy’\textsuperscript{105} in the top-down model and ‘exchange and interaction’\textsuperscript{106} in the bottom-up one. Dimitrakopoulos and Richardson\textsuperscript{107} also stress the importance of conceptualising implementation as a process rather than a set of outcomes, and argue that this is pertinent

\textsuperscript{98} EPRC, 2009.
\textsuperscript{99} Treib, 2008.
\textsuperscript{100} See the review article by Mastenbroek, 2005, as well as Falkner et al., 2005 Sverdup, 2007 and Treib, 2008 for useful accounts of the relevant literature.
\textsuperscript{101} 2003.
\textsuperscript{102} Treib, 2008.
\textsuperscript{103} 1993.
\textsuperscript{104} 1995.
\textsuperscript{105} Ibid.
\textsuperscript{106} Ibid.
\textsuperscript{107} 2001.
for EU policy making in particular. Nevertheless, they conclude that the perfect implementation of a programme is not only unfeasible but also unnecessary. Implementation is a complex process and is influenced by so many factors that it is normal that the outcome will deviate significantly from the ideal type set out at the stage of the design of a policy.

Therefore, implementation in the current sense is presented as a process that is influenced by myriads of both top-down and bottom-up factors. In this context, a report on the implementation of the Structural Funds, commissioned by the European Commission, places implementation in a broader policy cycle, as depicted in Figure 2. It defines implementation as the process that generates ‘the operational processes to produce expected outputs.’ It is the intermediary stage between on the one hand the identification of the problem that a policy action is supposed to solve, and the allocation of the funding and the results that are produced on the other. It also stresses the importance of ‘embedding’ the process of implementation in the wider socioeconomic and political context in which it takes place. It describes the process as ‘frequently mundane, incremental, and the subject of bargaining and negotiation’, concluding that the policy programmes ‘are in fact open systems that react and interact with a reference context.’

Finally, in the Commission evaluation of the influence that the Management and Implementation Systems (MIS) that were designed in order to support the implementation of the programmes co-funded through the European Regional Development Fund (ERDF) had in the recipient states, three types of likely domestic influences are identified; institutional, operational and cultural. In the case of the institutional and the cultural influences, the possible influences are more or less straightforward and are also covered by the literature on Europeanisation discussed above. Thus, in the case of the institutional adaptation, the establishment of new structures and fora is the most obvious example of the influence of the EURP regulations in the domestic MIS. Similarly, in connection with the cultural influences, the prospect of changing established administrative practices that have

---

109 Ibid.
110 EPRC, 2009.
proved ineffective is discussed. More interesting for the current discussion however is the conceptualisation of the possible influences exerted in the operational practices. These mainly relate with the modification of procedures and methods of policy implementation that come as a result of the establishment of the MIS at the domestic level. These issues are discussed in greater length in chapter 4; suffice to point out here that they relate with the impact that the four principles that guide the operation of the structural funds –those of programming, concentration, additionality and partnership- as well as the management tools that are implicit in them have in the operational practices followed by the MIS. Through incorporating the insights provided by this evaluation the conceptualisation of the patterns of implementation is significantly enhanced. This is because in that way the specific influence exerted through each of the principles can be identified hence the impact of the regulatory framework introduced through the EURP in connection with patterns of implementation in particular can be discerned.

**Figure 2. The Policy Cycle**

![Policy Cycle Diagram](source)

*Source: OIR in association with LRDP and IDOM, 2003, p.11*

**2.6. Administrative/ Absorption Capacity**

This section discusses the final component of the conceptual framework that I employ in the thesis. It introduces the concept of administrative and/or absorption capacity in order to
accurately reflect the dynamics of the interaction between the supranational and the domestic levels of analysis. The studies that are discussed in this section have developed mainly with reference to the administrative preparedness as they were applied practically through the PHARE programme for the countries that entered the EU with the waves of enlargement of 2004 and 2007. A further study for one of the former Cohesion countries is also discussed.

The main conceptual innovation of these studies is that they explain institutional capacities with specific reference to the administrative systems that were introduced in order to manage the relevant programmes. As with the previous elements of the conceptual framework, they focus on the domestic level of the countries that receive EURP funding and attempt to explain the patterns of their adjustments to the regulatory framework of the policy. In this context, Horvat identifies three specific definitions of the absorption capacity:

- **Macroeconomic absorption capacity**, which is the amount of funding in GDP terms that is allocated in each recipient country.

- **Administrative absorption capacity**, which is the ability and the skills of the national and sub-national authorities to operate in accordance to the rules specified by the four principles of the Structural Funds. These rules are discussed in greater length in chapter 4; it suffices to point out here that they relate with the ability to prepare acceptable plans, projects and programmes in sufficient time, co-ordinate their actions with those of the partners representing socioeconomic interests etc.

- **Financial absorption capacity** which is the ability of the national authorities to apply the rules entailed in the additionality rule and identify appropriate partners to provide the part of the national contribution that must arrive from the private sector. Again this aspect is discussed in more detail in chapter 4; it has to do with the quality of the private sector to participate by providing their financial contribution in the projects financed through the structural funds.

---


112 Milio, 2007 for Italy.

113 ibid.
Milio\textsuperscript{114} on the other hand focuses explicitly on administrative capacity, which she defines as

‘the ability of the institutions to manage Structural Funds policy according to their rules and procedures.’

She identifies four stages of programme actions, management, programming, monitoring and evaluation and discusses specifically how her results correspond according to these variables. This definition is in accordance with the second and the third parts proposed by Horvat above and are the focus of the current study as well.

The research agenda advanced by these studies is undoubtedly a useful addition in the literature that concerns the differential impact that the EURP has in the recipient countries. As with the other components of the conceptual framework it focuses on the domestic aspects of the implementation of the EURP in order to explain its impact. Furthermore, the study of the patterns of the implementation of the programmes along the specific stages that are followed rather than a broader discussion of institutional relationships is also a useful addition in the relevant literature. However, the fact that these studies seem to attempt to isolate administrative and/or absorption capacity from broader political and socioeconomic factors is problematic at least as far as the research aims of the thesis are concerned. In particular, as will be shown in chapter 3 the administrative performance of the Greek state is inexorably linked with broader socioeconomic characteristics of the domestic polity. For example, clientelism in its bureaucratic incarnation is the main element that prevents the country’s administration to operate independently. Moreover, patronage entails the interchange of administrative positions in return for votes. Thus, administrative and absorption capacities are inevitably linked with the socioeconomic and political environment in which the policy is implemented.

However, there is little doubt that the insights offered by this scholarship add to the theoretical aims of the thesis and complement the aspects of the conceptual framework that discuss the internal and interactive state capacities. They do so mainly through incorporating the regulatory requirements emanating from the EURP in the analysis hence

\textsuperscript{114} ibid.
providing a useful addition when examined in conjunction with Europeanisation and implementation as they were discussed above. Hence, in the remaining chapters the aim is to discuss administrative and broader issues of internal and interactive state capacity as they are influenced by the tangible effects of Europeanisation arriving through the regulatory requirements of the EURP. Thus, the focus remains on broader institutional issues as they manifest themselves in the context of the EURP.

2.7. Conclusion

In this chapter I attempted an overview of the elements of the conceptual framework that I employ in the thesis in order to answer the main research question. The first two sections after the introduction analysed the theories of the internal and interactive capacity that determine a state’s actions as developmental or not. The next two sections introduced two of the middle range theories developed in the last decade or so in order to capture the dynamics of the interaction between the EU and the member states from a comparative perspective. The theories of Europeanisation and implementation accept that the EU is a distinct political entity with significant repercussions for the domestic political and administrative systems of the member states. I include them in the theories that discuss the internal and interactive capacities of the state in the field of a developmental programme in order to explain the role that the external pressures emanating from the EU played in the process. Finally, the theories that discuss administrative capacities as they deal with the implementation of the EURP in the member states integrate the insights provided by the above theoretical discussions.

Therefore, the theories on state capacity offer the general template on which the empirical material presented in the next chapters is based. The theories of Europeanisation and implementation, on the other hand, aim at capturing the specific dynamics related to the role that the EU plays in the process. The theories on administrative and/or absorption capacities discuss the insights of state capacity that determine the outcome of the regulatory framework entailed in the EURP. What these theoretical frameworks share is an acceptance that the domestic compliance with external requirements is highly contingent on issues of previously established capacity. Thus, any case of non-compliance or difficulty in
producing developmental outcomes should not be seen as intentional. Rather, it is the outcome of the influences exerted by many factors that determine the capacity of the relevant actors to pursue their objectives.

Furthermore, by adopting this conceptual framework, I aim to theorise the complex and often contradictory interrelationships that develop between the external stimuli produced by the participation in the EU and the domestic state-society arrangements. Participation in the EU entails the adoption of certain requirements that often contradict the logic of domestic political and socioeconomic arrangements. In certain cases, the member states are simply not ready to internalise the demands that the EU exerts on their domestic institutional context. This does not necessarily imply, however, that there is an intention on behalf of the member states to deceive the supranational authorities when they enter the EU. The next chapter provides a first attempt to apply this conceptual framework by discussing the particularities of the Greek political economy. I do so with specific reference to the internal and the interactive capacities of the Greek state and the processes of Europeanisation.
Chapter 3. Internal and interactive state capacities and the process of Europeanisation and domestic compliance with the EU in Greece

3.1. Introduction
This chapter applies the conceptual framework developed in the previous chapters to the Greek experience of socioeconomic, political and administrative development and its relationship with the EU. As stated in the introductory chapter the main term of reference that the study adopts is that the outcomes and processes that influence the patterns of implementation of the EURP in Greece are inexorably linked with the domestic context in which the policy is implemented. Thus, I discuss the parameters of this socioeconomic and political context that provide the mediating forces through which the outcomes of the policy are discerned. In the next section I elaborate on these issues by providing a section describing the analytical framework that I adopt in the thesis and its relevance to the remaining chapters. In the section after that I discuss the internal capacity of the Greek state and the ways in which it interacts with the surrounding socioeconomic environment. I then explore how the experience of EU membership has ‘Europeanised’ the Greek state and how Greece has complied with the requirements of EU membership.

3.2. An analytical framework
The implementation method for structural funds is essentially a model of implementation that has been designed by the European Commission in consultation with the member states through the European Council and the European Parliament. As will be shown in chapter 4 the regulatory framework entails the creation of an elaborate administrative network with the specific aim to implement and monitor the sectoral and regional OPs funded through the EURP. This network -henceforth Management and Implementation Systems (MIS) -115 aims to influence most aspects of socioeconomic, administrative and political activity. Moreover, it aims to affect both the operation of the OPs as such but also –if possible- to provide spillovers to the wider institutional systems of the country in which the programmes are implemented. The MIS involve public administration bodies that manage the relevant programmes, monitoring committees where representatives of socioeconomic

115 EPRC, 2009.
interests and national and regional civil society monitor the programme and a series of implementing bodies and final beneficiaries that can either be private sector organisations and/or public sector institutions. However, despite the fact that the MIS are designed in common for all the recipient countries, there is sufficient leeway of interpretation when it comes to both the manner in which they are applied domestically and the patterns of their everyday operation. As an ideal type, the network of MIS has been designed to be enforced in a specific context (political, socioeconomic, legal, cultural) through which it is interpreted. Hence, the adaptations in this model are inevitable and the outcomes of the policy are interlinked with the particularities of this context. Similarly, the extent of the spillovers that will become available to the wider institutional and administrative cultures is equally dependent by this context.

Thus, the already existing domestic factors that influence socioeconomic activity will undoubtedly impact upon the operation of this network. They provide the administrative, socioeconomic, legal and political context in which the MIS are applied hence their influence in the implementation outcomes is bound to be significant. In the case of Greece this context entails certain features which have characterised the country’s socioeconomic and political development and as was stated in the introductory chapter are still relevant despite the repeated efforts for the modernisation of the country. These relate with the persistence of clientelism and corruption inside the public sector as well as in the manner in which the public administration interacts with the surrounding socioeconomic environment of the country. The socioeconomic environment of the country is characterised by low levels of social capital and diminished stock for the development of relations of trust amongst socioeconomic actors.

Moreover, the Greek public administration has been consistently employed as a compensating mechanism to balance the lack of meaningful welfare mechanisms which resulted in the state being unsustainably large. Furthermore, there is little doubt that this process was mainly if not solely driven by party clientelism. Most importantly, this

---

process was not driven by any programming consideration in terms of the territorial
distribution of the personnel employed. Therefore, the public administration became
particularly overcrowded in the centre of the country –Athens- which also reflects broader
patterns of centralisation of its activity. As a result of both top-down and bottom-up
mechanisms the Greek state has struggled to allow the expression of significant
autonomous interests at the sub-national levels. Also, socioeconomic actors from this level
have struggled to form meaningful relationships of trust with the central state.

Finally, the Europeanisation of the country that has taken place after the singing of the
Single European Act (SEA) does not seem to have been converted to practical action and to
have influenced the empirical aspects of the domestic politics and institutions. In particular,
both the country’s participation in the EU as well as its participation in the common
currency, enjoy particularly high levels of public opinion approval. Also, politically the
central government is persistently pushing towards the strengthening of EU integration.
Nonetheless, when it comes to the practical aspects of this approval- i.e. firstly the patterns
of implementation of the supranational regulations at the domestic political and
administrative systems and secondly the patterns of compliance of the domestic political
system to the requirements exerted through EMU- the picture is different. The rates of
domestic compliance with EU rules and regulations is far from satisfactory whilst the
excessive public deficit that resulted in the almost default of the country in 2009-2010 is
significantly divergent to the macroeconomic criteria demanded by the Stability and
Growth Pact (SGP). Also, the influence of the EU has been limited in combating a series of
long term structural difficulties with tax evasion and the diminished tax base being the most
significant. Therefore, when it comes to examining the socioeconomic, political and
administrative context in which the MIS were integrated the picture that emerges is one of
significant domestic resistance to the practical requirements introduced through the
participation in the EU and the persistence of a series of features more related with
traditional forms of state-society interaction. The next section examines the first component
of this context, that of the internal capacities of the Greek state.
Overall, the Greek public administration is characterised by a high degree of centralisation on the one hand and a low degree of legitimacy and institutionalisation on the other. Concurrently, there is a profound lack of any technocratic tradition in the country. These characteristics persist even though in legal terms the Greek bureaucracy is not very different from its Northern and Western European counterparts. It is an amalgam of influences from the main traditions of Western European statehood, albeit the Napoleonic centralised model of administration has been the blueprint for any other subsequent model. Nonetheless, the practices that were left over by the Ottoman tradition (patrimonialised and fragmented public services) seem to have left the main legacy on which any other system was built. The result is the creation of a ‘‘quasi-Weberian’’ bureaucracy which in theory is constructed along the lines of the Weberian bureaucratic rationality but in practice significantly diverges from the ideal type.

Therefore, the paradox that has been established is that there is in Greece a particularly centralised core executive with almost presidential powers, which lacks however implementation capabilities. In other words the core executive is politically strong and able to impose its views to the society but its’ administrative capabilities are limited. There are three main factors that contribute to this situation; namely, excessive political clientelism at the higher echelons of the bureaucracy, the lack of an institutionalised administrative elite, and legal rigidity together with excessive legalism.

The first is the result of the constant interference of the governing party in the internal affairs of the public administration. This takes place via the clientelistic and patronage

---

120 Hibou, 2005.
122 Hibou, 2005
125 Featherstone, 2011.
126 These are three of the seven elements that Sotiropoulos, 2007 identifies as characteristic of the Southern European bureaucracies and that largely apply in the Greek case; the remaining four are discussed in the next section.
relationships that have been developed between the political parties and the government, where the former employ positions of the latter as an incentive for electoral mobilisation.\footnote{For the prevalence of clientelism in Greek politics in general see Charalambis, 1989 and Lyrintzis, 1991.}

Clientelism in the current sense is employed in the way that is adopted by Piattoni\footnote{Piattoni, 2001. Also see the treatment of the concept by Lemarchand and Legg, 1972; Roniger and Gunes-Ayata, 1994 and the more recent by Roniger, 2004.} in the introduction of her volume. There, it is suggested that an adequate and fair analysis of the ways in which clientelism and patronage operate as intervening factors in the interaction between actors is one that takes into account the structural contexts in which the actors operate. That is, it views such phenomena as existing and being reproduced in the context of social networks, friendships and other social alliances rather than a sign of rent-seeking activities pursued by individuals. However, that does not imply that the actors are presented in this approach as weak and without any choice to alter their structural constraints. Indeed, there is more than enough scope for the analysis of the adoption of different ‘strategies’ on their behalf that would contribute to the creation of more universalistic and less particularistic exchanges.

That being the case, clientelism is discussed here in its bureaucratic incarnation which is a continuation and adjustment of the traditional forms of interest intermediation between the patron and client that is found – albeit in different forms – in most pre-modern societies.\footnote{Lavdas, 1997; 2005; Lyrintzis, 2005.}

That is, where in the past the unequal relationships between two individuals occupying unequal positions would express themselves via personalised exchanges, now it is the party political system through which these pre-modern interactions tend to take place. In this context public administration positions are employed by the governing party as possible rewards for someone who votes for them. Certainly, this is just one form in which patronage and clientelism occur. It can extend to cases in which politicians provide facilitated access to services that individuals enjoy in any case.\footnote{Lyberaki and Tsakalotos, 2002.}

In practice, one of the consequences is that more often than not there are extensive alterations of the upper echelons of the bureaucratic apparatus after each election. It is
embedded in the Greek political culture\(^\text{131}\) that every minister\(^\text{132}\) who is appointed is entitled to bring with him or her number of civil servants from either different governmental departments or – more recently – from the private sector. To be sure, this is not an unusual practice for countries with more established bureaucracies than the Greek one. It makes sense that each newly elected government chooses the civil servants with whom they wish to cooperate. Nonetheless, in the Greek case these changes trickle down to low managerial levels of the administrative hierarchy, which provides a significant qualitative difference in comparison with other cases. In this context, civil servants who are thought to belong to one of the parties of the opposition are ‘frozen’ and implicitly ignored during the decision-making process. Furthermore, the career patterns of the civil servants and their possible promotions to higher positions become inexorably linked to their party identification.

As a result, there is instability and insecurity about the decisions that are taken, since seemingly technocratic issues become politicised. In the unstable environment that is the outcome of the constant changes of personnel and with the suspicion that hangs over the senior civil servants, the private relationships developed between the employees of the state and the politicians become defined more by considerations of career advancement than by official duties. The instinctive need of the civil servants to ensure their position compels them to become involved with party politics and develop vertical relationships with their political patrons. As a result, any lines of accountability are seriously distorted and the civil servants develop networks of association based not on their administrative duties but on their party affiliations.

The situation is exacerbated by a second characteristic – the lack of a distinct civil service ethos, or esprit de corps, which is characteristic of the administrative elites of the Northern and Western European states. The Greek bureaucrats do not form a cohesive group with a common social background that could be motivated by any moral ambition for the promotion of the national interest that was discussed in chapter 2 about the French civil

\(^{131}\) For a discussion of the Greek political culture see Demertzis, 1997.

\(^{132}\) The head of a state organisation.
servants. This could be the result of the late industrialisation of the country, which meant that the capacity for the development of horizontal networks of associations was limited. These issues are discussed in greater length in the next section.

The third characteristic is the excessive legalism and the legal inflexibility that is endemic in the Greek administrative system. The legal principles that govern each policy activity are applied in a fragmented manner which leads to the overproduction of laws and decrees. As Spanou\textsuperscript{133} puts it:

Legalism and formalism do not necessarily mean standardisation, formalisation and predictability. Irrespective of formally centralised political administrative structures, during the state formation process centrifugal political forces resisted formal obligations imposed by modernisation reforms; they perpetuated a high degree of fragmentation along with a selective respect for formal rules, while neutralising control and sanction mechanisms. Informal practices thus often oppose and ignore formal rules.

As a result of these factors – the politicisation of the bureaucracy, the lack of a civil service ethos and the excessive legalism and formalism – there is minimum coordination between departments of even the same ministries. Consequently,

Coordination at both the political and the administrative levels...is “personalised” or even “anarchical” because it relies on personal communication and cooperation between policy makers.\textsuperscript{134}

Therefore, the Greek ministers responsible for each policy area are strong when it comes to the level of policy responsibilities that they enjoy when compared with sub-national levels of government. However, they lack the capacity to implement these policies because of the internal problems of the bureaucratic mechanism which they lead.\textsuperscript{135}

3.4. Interactive state capacities, limited embeddedness

If the internal capacities fall short of Evans\textsuperscript{136} requirements as they were set out in chapter 2, how far does it manage to embed itself within Greece’s socioeconomic structures? The main argument that I present in this section is that the political and social development of

\textsuperscript{133} Spanou, 1998.
\textsuperscript{134} Dimitrakopoulos, 2001.
\textsuperscript{135} Featherstone, 2011.
\textsuperscript{136} Evans, 1995.
the country did not result in the creation of autonomous groups at the intermediate sphere between the state and the market. This has had a detrimental effect on the ways in which the Greek bureaucracy interacts with the surrounding socioeconomic environment, thereby limiting the potential for the creation of meaningful state-society synergies.

Interestingly, this happened despite the relative homogeneity of the country’s population. In contrast to other countries with similar socioeconomic characteristics, the Greek population has been ethnically and religiously homogenous which is reflected in the patterns of representation. There are four elements of the interrelationships between the Greek state-society nexus that are important in the current discussion. These are the persistence of political clientelism ‘from below’, the disproportionate character of the public sector, the perceived administrative ineffectiveness and widespread corruption especially in the lower ranks of the civil service. Together with the latter, the issue of the low levels of social capital is discussed.

The first relates to the recruitment processes of the civil service. Despite the repeated attempts to minimise the interference of clientelistic party politics and other non-meritocratic aspects of social interaction, the civil servants are still largely recruited via the ‘rousfeti’ (political favours). The paths of recruitment of the senior civil service have been far from standardised. Until 1983 the civil servants would be recruited via entrance examinations – conducted by each individual public authority, which left the process open to the interference of deputies – and no particular qualifications other than a University degree were needed. The first attempt to establish a National School with the exclusive purpose of the education and recruitment of the senior civil servants – following the blueprint of the French ENA – took place as late as 1983. After many troubles it has fallen into great difficulties and now plays only a marginal part in the process of the recruitment of high ranking civil servants. Moreover, in 1994 the PASOK government established an

\[^{137}\text{Alexander, 1998.}\]
\[^{138}\text{Voulgaris, 2008.}\]
\[^{139}\text{Spain for example.}\]
\[^{140}\text{Sotiropoulos, 2007a.}\]
\[^{141}\text{Lyberaki and Tsakalotos, 2002; Sotiropoulos, 2007b.}\]
\[^{142}\text{Spanou, 1998.}\]
independent authority charged with the task of recruiting personnel in the public sector (ASEP) which was the first attempt to modernise the process. It has been a significant step towards the weakening of the impact of patronage and clientelism in the running of the civil service. However, despite its formal institutionalisation the authority has not been accepted as the sole method through which someone can be recruited in the civil service.\textsuperscript{143}

The practice of making public sector jobs – especially of entry level – so widely available is related to the lack of meaningful welfare mechanisms that would create other employment opportunities.\textsuperscript{144} The state would employ these positions in order to absorb the shocks of high unemployment. However, as an unintended consequence the public sector became overcrowded, especially at the lower levels, which is the second characteristic identified in the current discussion. Characteristically, in the period between the fall of the 1974 dictatorship and 1990, there was a doubling of the number of people employed in the public sector, with the total number of public employees amounting to around 700,000 in 1990.\textsuperscript{145} Furthermore, around half to two-thirds of all University graduates in the 1970s and 1980s were employed by the state.\textsuperscript{146} According to the latest available estimates, the wider public sector employs around 35\% of the total workforce,\textsuperscript{147} or around 850,000 people in total.\textsuperscript{148}

This is further indicated by the percentage of GDP that is employed by the state, which is very high compared to countries of similar socioeconomic development. Table 3.1 shows the percentage of GDP that is devoted to public expenses in Greece and in the other European countries of the EU 15. In 2006 Greece’s public expenditure was around 49\% of the domestic GDP rates, which is close to the average for Northern Europe which is around 54\% and almost identical to what Germany for example spends. As with the previous periods this number did not stop increasing in the period discussed in the Table. It must be

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{143} Sotiropoulos, 2001; Dimitrakopoulos, 2001.
\item \textsuperscript{144} Sotiropoulos, 2001.
\item \textsuperscript{145} Charalambis et al., 2004.
\item \textsuperscript{146} Tsoukalas, 1996.
\item \textsuperscript{147} Monastiriotis, 2008.
\item \textsuperscript{148} Sotiropoulos, 2007b. It must be noted that because of the chaotic nature of the civil service in Greece, there are only estimations available as regards the exact number of public sector employees. This is because there is still no agreement as to what actually constitutes the public sector. For example, it is not clear whether the employees of quangos or companies of the wider public sector - such as the Olympic Airways - should be included in that number.
\end{itemize}
\end{footnotesize}
noted that the information presented in this section does not aim at corroborating the stereotypical neo-liberal argument that the Greek state is bloated, and hence inefficient. If anything, the examination of the data presented in Table 3.2, in which the comparative rates of public sector employees are estimated as a percentage of the total population of working age, shows that Greece’s rates are not significantly higher than some Northern European countries. For example, Ireland and the UK have similar rates of employment to those of Greece, whilst the Scandinavian countries register significantly higher rates. Similar conclusions are drawn when one compares the data provided in Table 3.1 where Greece is by no means at the top of the Table. What this information does, however, is to provide a tentative effort to contextualise the interventions attempted by the Greek state, and quantitative information is undoubtedly essential in this respect. Nonetheless, the qualitative characteristics of this relationship are probably more important.

Table 3.1. Total public expenditure as a percentage of GDP in Southern, Western and Northern Europe in 2003 and 2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>48.0</td>
<td>48.7</td>
<td>+0.7</td>
</tr>
<tr>
<td>Spain</td>
<td>39.7</td>
<td>40.4</td>
<td>+0.7</td>
</tr>
<tr>
<td>Italy</td>
<td>49.2</td>
<td>48.5</td>
<td>-0.7</td>
</tr>
<tr>
<td>Portugal</td>
<td>47.7</td>
<td>47.8</td>
<td>+0.1</td>
</tr>
<tr>
<td>Average for Southern Europe</td>
<td>46.2</td>
<td>46.4</td>
<td>+0.2</td>
</tr>
<tr>
<td>France</td>
<td>54.6</td>
<td>54.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Germany</td>
<td>48.8</td>
<td>46.2</td>
<td>-2.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>34.4</td>
<td>34.6</td>
<td>+0.2</td>
</tr>
<tr>
<td>Great Britain</td>
<td>43.4</td>
<td>44.1</td>
<td>+0.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>49.0</td>
<td>49.2</td>
<td>+0.2</td>
</tr>
<tr>
<td>Average for Western Europe</td>
<td>46.0</td>
<td>45.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>55.3</td>
<td>53.5</td>
<td>-1.8</td>
</tr>
<tr>
<td>Norway</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sweden</td>
<td>58.4</td>
<td>56.6</td>
<td>-1.8</td>
</tr>
<tr>
<td>Finland</td>
<td>50.8</td>
<td>49.8</td>
<td>-1.0</td>
</tr>
<tr>
<td>Average for Northern Europe</td>
<td>54.8</td>
<td>53.3</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

Source: Sotiropoulos, 2007b. No data is available for Norway
Table 3.2. Public sector employees as a percentage of the total of economically active population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOUTHERN EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>21.8</td>
<td>21.3</td>
<td>21.3</td>
<td>-0.5</td>
</tr>
<tr>
<td>Italy</td>
<td>16.1</td>
<td>15.5</td>
<td>15.0</td>
<td>-1.1</td>
</tr>
<tr>
<td>Portugal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Spain</td>
<td>18.0</td>
<td>16.7</td>
<td>15.7</td>
<td>-2.3</td>
</tr>
<tr>
<td>South Europe Average</td>
<td>18.6</td>
<td>17.8</td>
<td>17.3</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>WESTERN EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>18.6</td>
<td>17.7</td>
<td>16.7</td>
<td>-1.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>22.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-</td>
<td>-</td>
<td>24.7</td>
<td>-</td>
</tr>
<tr>
<td>Great Britain</td>
<td>20.3</td>
<td>19.3</td>
<td>19.2</td>
<td>-1.1</td>
</tr>
<tr>
<td>West Europe Average</td>
<td>20.3</td>
<td>18.5</td>
<td>20.2</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>NORTHERN EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>35.0</td>
<td>34.6</td>
<td>34.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Finland</td>
<td>26.8</td>
<td>25.8</td>
<td>25.0</td>
<td>-1.8</td>
</tr>
<tr>
<td>Norway</td>
<td>37.8</td>
<td>37.4</td>
<td>37.1</td>
<td>-0.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>39.4</td>
<td>36.1</td>
<td>33.7</td>
<td>-5.7</td>
</tr>
<tr>
<td>North Europe Average</td>
<td>34.8</td>
<td>33.5</td>
<td>32.5</td>
<td>-2.3</td>
</tr>
</tbody>
</table>

Source: Compilation by data provided by the International Labour Office (ILO) and the OECD, available at Sotiropoulos, 2007b.

First amongst these qualitative characteristics is the third trait that has an impact on the interactive capacities of the Greek state and which can be loosely termed the Greek citizens’ perception of the inefficient public sector. In particular, the Greek administration is viewed by the Greeks as not only incompetent at performing even everyday procedures, but also inherently corrupt. Moreover, the civil service is viewed by the public as a channel of provision of steady income but not as an instrument which serves the wider public. There is a perception that the process of government is somehow detached from the social context in which it takes place and that the civil servants are self-serving and egotistical rather than representing of the Greek population in general. Therefore, having to deal with a segment of the civil service even for activities such as tax purposes is seen as a major problem by most Greeks. In this context the Eurostat data about the trust that the citizens of an EU country place in the civil service of their country is revealing. The question asked through

---

149 Hibou, 2005.
public opinion research in this context\textsuperscript{150} was quite straightforward: to what extent the people that were questioned felt that they could trust the civil service in their respective countries. Only 31% of the respondents replied that they trusted the country’s civil service as is shown in Table 3.9.

The final trait of the Greek bureaucracy that impacts upon its interactive capacities is the seemingly abundant ‘petty’ corruption, particularly at the lower echelons of the civil service. Table 3.3 indicates that Greece was 44\textsuperscript{th} for 2002 and 78\textsuperscript{th} for 2010 in a list of measurement of corruption by Transparency International (TI). The countries with the lowest scores are the ones with less corruption. As far as Greece is concerned, there has been little long term change in these patterns. Although it is not the only country the position of which has deteriorated between 2002 and 2010, it is significant that according to the latest measurements it is the most corrupt country of the EU-25.

To be sure, the results presented in Table 3.3 should be read with a certain degree of caution. There is still no consensus as regards the validity of the data compiled by the Transparency International, which are presented here. These measures present the results of fieldwork research compiled through asking individual entrepreneurs about their perception of corruption of the public sector in respective countries. Hence, it could be argued that the approach adopted is largely constructivist and that entrepreneurs would be more likely to be negatively biased as regards the public sector. Thus, they would be more inclined to present a negative picture about the capacities of the civil service, which does not necessarily correspond to the reality. Certainly, if that is the case the private capital is supposed to work in partnership with the public sector in the context of a developmental programme such as the EURP. Therefore, if the perception of the private capital is so negative it must have an impact on this relationship.

\textsuperscript{150} This question was introduced in two waves of Eurobarometer research in 2001 and 2002 and has not been included since.
Table 3.3. Corruption Index for a sample of countries

<table>
<thead>
<tr>
<th>2002</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Index</td>
</tr>
<tr>
<td>1</td>
<td>Finland</td>
</tr>
<tr>
<td>2</td>
<td>Denmark</td>
</tr>
<tr>
<td>3</td>
<td>New Zealand</td>
</tr>
<tr>
<td>16</td>
<td>USA</td>
</tr>
<tr>
<td>31</td>
<td>Italy</td>
</tr>
<tr>
<td>44</td>
<td>Greece</td>
</tr>
<tr>
<td>64</td>
<td>Turkey</td>
</tr>
<tr>
<td>74</td>
<td>Russia</td>
</tr>
<tr>
<td>86</td>
<td>Ukraine</td>
</tr>
<tr>
<td>98</td>
<td>Angola</td>
</tr>
<tr>
<td>99</td>
<td>Madagascar</td>
</tr>
<tr>
<td>100</td>
<td>Paraguay</td>
</tr>
<tr>
<td>101</td>
<td>Nigeria</td>
</tr>
<tr>
<td>102</td>
<td>Bangladesh</td>
</tr>
</tbody>
</table>

Source: Transparency International. Corruption Perceptions Index, 2002 and 2010

Furthermore, tax evasion is still widespread in the country and repeated reforms of the tax collecting systems have had little effect in altering the perceptions of the Greeks that avoiding paying their share of taxation is not only culturally accepted but also commendable.\textsuperscript{151} Also, the ‘shadow economy’ is a significant source of income for many Greeks who either cannot establish networks with the mechanisms of state-party politics patronage and/or wish to extend their income. This includes a series of diverse activities ranging from private tutorials in secondary and also tertiary education – which is so extensive that it leads many to support the view that the country’s educational system is only in theory public but in practice private – to hiring undocumented employees in the private sector. As with the information presented in the previous Tables, the measurement of the ‘shadow economy’ is riddled with difficulties and no consensus exists as to the best available method. Vavouras and Manolas\textsuperscript{152} provide an overview of the relevant literature.

\textsuperscript{151} Tatsos, 2001.
\textsuperscript{152} Vavouras and Manolas, 2005.
and conclude that most studies have measured the shadow economy in Greece as comprising around 30% of the national GDP. Similar results are shown in Table 3.5 in which comparisons with other EU countries are presented. Greece’s shadow economy is lower only than those of countries from the last waves of enlargement.

**Table 3.4. The size of the ‘shadow economy’ as a percentage of GDP**

<table>
<thead>
<tr>
<th></th>
<th>1999/00</th>
<th>2001/02</th>
<th>2002/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>9.8</td>
<td>10.6</td>
<td>10.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12.7</td>
<td>12.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Germany</td>
<td>16.0</td>
<td>16.3</td>
<td>16.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>19.2</td>
<td>19.1</td>
<td>18.3</td>
</tr>
<tr>
<td>Spain</td>
<td>22.7</td>
<td>22.5</td>
<td>22.0</td>
</tr>
<tr>
<td>Italy</td>
<td>27.1</td>
<td>27.0</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td><strong>28.7</strong></td>
<td><strong>28.5</strong></td>
<td><strong>28.2</strong></td>
</tr>
<tr>
<td>Slovenia</td>
<td>27.1</td>
<td>28.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>30.3</td>
<td>31.4</td>
<td>32.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>36.9</td>
<td>37.1</td>
<td>38.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>38.4</td>
<td>39.2</td>
<td>40.1</td>
</tr>
<tr>
<td>Latvia</td>
<td>39.9</td>
<td>40.7</td>
<td>41.3</td>
</tr>
</tbody>
</table>

*Source: Schneider, 2005, p.20*

The discussion about the bottom up characteristics of the relationships that are developed between the Greek society and the state leads to arguments about the underdevelopment of social capital and civil society in the country. To the extent that the terms 'social capital' and 'civil society' describe autonomous groups, which flourish in trust and cooperation and do not have an obvious utilitarian reason to exist, Greece scores low again. In particular, the horizontal networks of civic associations are sparse in Greece; rather, vertical networks of association based on clientelism and patronage between not only the state and society but also the private sector – or the market – and society are be the norm.

These issues can be quantified in Table 3.5 which depicts wider aspects that are used in order to measure a country’s social capital. These were compiled using the Special Eurobarometer 223, a survey carried out by the Commission in 2005, as well as the European Social Survey carried out by research centres in each country, and were released in 2003. The social capital index presented in the Table attempts to capture the link.

---

153 Lyberaki and Paraskevopoulos, 2002; Paraskevopoulos, 2007; Jones et al., 2008.
between the main determinants of social capital through measures of associational membership and social trust. The 'Vol. Any' column depicts membership of at least one voluntary organization, while the 'Vol. Org' shows a number of multiple organisational memberships and a combined score of active membership, and no membership at all in any category of organisation.\textsuperscript{155} Greece comes last from most EU-27 countries and is only above four countries which entered the EU after the enlargements of 2004 and 2007. This situation must be the result of the low measures of the components that were used for the measurements, namely social trust and associational membership.

**Table 3.5. Social Capital Index**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>993</td>
<td>0.65</td>
<td>0.93</td>
<td>2.80</td>
<td>1.82</td>
</tr>
<tr>
<td>Denmark</td>
<td>1010</td>
<td>0.75</td>
<td>0.90</td>
<td>2.38</td>
<td>1.79</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1026</td>
<td>0.62</td>
<td>0.84</td>
<td>2.21</td>
<td>1.37</td>
</tr>
<tr>
<td>Finland</td>
<td>1032</td>
<td>0.61</td>
<td>0.76</td>
<td>1.53</td>
<td>0.93</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>384</td>
<td>0.31</td>
<td>0.78</td>
<td>1.87</td>
<td>0.58</td>
</tr>
<tr>
<td>UK</td>
<td>1290</td>
<td>0.36</td>
<td>0.56</td>
<td>1.06</td>
<td>0.38</td>
</tr>
<tr>
<td>Ireland</td>
<td>1067</td>
<td>0.34</td>
<td>0.59</td>
<td>1.07</td>
<td>0.36</td>
</tr>
<tr>
<td>Austria</td>
<td>995</td>
<td>0.33</td>
<td>0.59</td>
<td>1.02</td>
<td>0.34</td>
</tr>
<tr>
<td>Belgium</td>
<td>960</td>
<td>0.30</td>
<td>0.58</td>
<td>1.14</td>
<td>0.34</td>
</tr>
<tr>
<td>Germany</td>
<td>1505</td>
<td>0.34</td>
<td>0.56</td>
<td>0.98</td>
<td>0.33</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1023</td>
<td>0.24</td>
<td>0.57</td>
<td>0.94</td>
<td>0.23</td>
</tr>
<tr>
<td>France</td>
<td>982</td>
<td>0.22</td>
<td>0.56</td>
<td>0.90</td>
<td>0.20</td>
</tr>
<tr>
<td>Spain</td>
<td>1001</td>
<td>0.36</td>
<td>0.29</td>
<td>0.46</td>
<td>0.17</td>
</tr>
<tr>
<td>Estonia</td>
<td>991</td>
<td>0.33</td>
<td>0.37</td>
<td>0.53</td>
<td>0.17</td>
</tr>
<tr>
<td>Malta</td>
<td>493</td>
<td>0.22</td>
<td>0.44</td>
<td>0.73</td>
<td>0.16</td>
</tr>
<tr>
<td>Italy</td>
<td>1031</td>
<td>0.22</td>
<td>0.33</td>
<td>0.48</td>
<td>0.11</td>
</tr>
<tr>
<td>Cyprus</td>
<td>466</td>
<td>0.19</td>
<td>0.39</td>
<td>0.60</td>
<td>0.11</td>
</tr>
<tr>
<td>Portugal</td>
<td>1048</td>
<td>0.24</td>
<td>0.25</td>
<td>0.32</td>
<td>0.08</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1110</td>
<td>0.17</td>
<td>0.36</td>
<td>0.47</td>
<td>0.08</td>
</tr>
<tr>
<td>Hungary</td>
<td>991</td>
<td>0.25</td>
<td>0.21</td>
<td>0.26</td>
<td>0.07</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1295</td>
<td>0.16</td>
<td>0.38</td>
<td>0.42</td>
<td>0.07</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td><strong>1009</strong></td>
<td><strong>0.18</strong></td>
<td><strong>0.26</strong></td>
<td><strong>0.31</strong></td>
<td><strong>0.6</strong></td>
</tr>
<tr>
<td>Latvia</td>
<td>984</td>
<td>0.15</td>
<td>0.27</td>
<td>0.35</td>
<td>0.05</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1005</td>
<td>0.14</td>
<td>0.22</td>
<td>0.28</td>
<td>0.04</td>
</tr>
<tr>
<td>Romania</td>
<td>986</td>
<td>0.17</td>
<td>0.19</td>
<td>0.24</td>
<td>0.04</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>870</td>
<td>0.20</td>
<td>0.16</td>
<td>0.18</td>
<td>0.04</td>
</tr>
<tr>
<td>Poland</td>
<td>1020</td>
<td>0.10</td>
<td>0.25</td>
<td>0.34</td>
<td>0.03</td>
</tr>
<tr>
<td>EU 15</td>
<td>15297</td>
<td>0.33</td>
<td>0.51</td>
<td>0.93</td>
<td>0.31</td>
</tr>
<tr>
<td>EU 25</td>
<td>24774</td>
<td>0.30</td>
<td>0.47</td>
<td>0.82</td>
<td>0.25</td>
</tr>
<tr>
<td>NMS 10</td>
<td>9390</td>
<td>0.15</td>
<td>0.28</td>
<td>0.38</td>
<td>0.06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27008</strong></td>
<td><strong>0.29</strong></td>
<td><strong>0.45</strong></td>
<td><strong>0.80</strong></td>
<td><strong>0.23</strong></td>
</tr>
</tbody>
</table>

Note: Social Trust: the proportion responding ‘most people can be trusted’. Vol. Any: the proportion of the adult population who say they belong to at least one category of voluntary organization. Vol. Org: the number of organizational sectors to which people belong. 


\textsuperscript{155} Paraskevopoulos, 2007.
Furthermore, inward looking organisations such as the church, the police and the army tend to enjoy higher degrees of trust by the Greek citizens, as depicted in Table 3.6. The trust expressed in these organisations is in contrast to the trust expressed in groups that could contribute to a democratic and vibrant civil society, such as the parliament, political parties, etc. The latter provide opportunities for the creation of ‘bridging’ relationships between institutions whilst the former only cater for their members through the exclusion of non-members. Similarly, Table 3.7 shows that three institutions with a protective mandate – the army, the police and the justice system – enjoy much higher levels of trust than the political parties and the national government.

As with the data presented previously in this section, measuring the levels of social capital is riddled with difficulties, whilst the relevant research has not produced a common definition. Nonetheless, I have presented different studies and sources that attempt to measure the levels of social capital in Greece from a comparative perspective and they seem to draw similar conclusions. The legacy of authoritarianism has left a social sphere that is low in levels of trust and capacity for collective action. Despite the influences exerted by the modernisation of the country in the last twenty years, protective institutions enjoy higher degrees of trust, and a public sphere that would facilitate democratic exchange has not yet emerged.
Table 3.6. Expressed Confidence in Various Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>High Confidence</th>
<th>Medium Confidence</th>
<th>Low Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>68.9</td>
<td>22.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Church of Greece</td>
<td>68.0</td>
<td>21.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Greek Parliament</td>
<td>56.9</td>
<td>29.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Political Parties</td>
<td>46.7</td>
<td>34.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Armed Forces</td>
<td>68.9</td>
<td>23.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Ecumenical Patriarchate</td>
<td>68.1</td>
<td>21.4</td>
<td>7.2</td>
</tr>
<tr>
<td>Police</td>
<td>54.5</td>
<td>30.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Newspapers</td>
<td>49.4</td>
<td>32.1</td>
<td>15.6</td>
</tr>
<tr>
<td>Confederation of Greek</td>
<td>32.8</td>
<td>39.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>59.1</td>
<td>29.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Large Private Sector Firms</td>
<td>46.6</td>
<td>25.4</td>
<td>14.2</td>
</tr>
<tr>
<td>Large Public Sector Firms</td>
<td>44.9</td>
<td>35.4</td>
<td>16.5</td>
</tr>
<tr>
<td>Television</td>
<td>57.1</td>
<td>29.2</td>
<td>12.6</td>
</tr>
<tr>
<td>Labour Unions</td>
<td>55.8</td>
<td>28.0</td>
<td>12.6</td>
</tr>
</tbody>
</table>


Table 3.7. Trust in institutions. Eurobarometer (2001-2010)

<table>
<thead>
<tr>
<th>EB</th>
<th>Political Parties</th>
<th>Police</th>
<th>Justice System</th>
<th>National Government</th>
<th>Army</th>
<th>National Parliament</th>
<th>Civil Service</th>
<th>European Parliament</th>
<th>EU</th>
<th>UN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 (55)</td>
<td>18</td>
<td>63</td>
<td>62</td>
<td>58</td>
<td>86</td>
<td>49</td>
<td>31</td>
<td>60</td>
<td>60</td>
<td>43</td>
</tr>
<tr>
<td>2002 (57)</td>
<td>16</td>
<td>58</td>
<td>61</td>
<td>59</td>
<td>80</td>
<td>51</td>
<td>33</td>
<td>58</td>
<td>58</td>
<td>38</td>
</tr>
<tr>
<td>2003 (59)</td>
<td>17</td>
<td>68</td>
<td>69</td>
<td>64</td>
<td>81</td>
<td>56</td>
<td>-</td>
<td>62</td>
<td>55</td>
<td>31</td>
</tr>
<tr>
<td>2004 (61)</td>
<td>28</td>
<td>72</td>
<td>73</td>
<td>55</td>
<td>84</td>
<td>63</td>
<td>-</td>
<td>70</td>
<td>68</td>
<td>40</td>
</tr>
<tr>
<td>2005 (63)</td>
<td>23</td>
<td>-</td>
<td>53</td>
<td>40</td>
<td>80</td>
<td>51</td>
<td>31</td>
<td>58</td>
<td>58</td>
<td>38</td>
</tr>
<tr>
<td>2006 (65)</td>
<td>27</td>
<td>-</td>
<td>55</td>
<td>55</td>
<td>83</td>
<td>56</td>
<td>-</td>
<td>63</td>
<td>63</td>
<td>36</td>
</tr>
<tr>
<td>2007 (68)</td>
<td>21</td>
<td>-</td>
<td>-</td>
<td>52</td>
<td>85</td>
<td>52</td>
<td>-</td>
<td>77</td>
<td>65</td>
<td>38</td>
</tr>
<tr>
<td>2008 (70)</td>
<td>14</td>
<td>-</td>
<td>44</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>59</td>
<td>58</td>
<td>36</td>
</tr>
<tr>
<td>2009 (72)</td>
<td>19</td>
<td>-</td>
<td>52</td>
<td>44</td>
<td>69</td>
<td>47</td>
<td>-</td>
<td>60</td>
<td>60</td>
<td>34</td>
</tr>
<tr>
<td>2010 (74)</td>
<td>7</td>
<td>64</td>
<td>44</td>
<td>24</td>
<td>67</td>
<td>27</td>
<td>-</td>
<td>-</td>
<td>40</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: European Commission. Eurobarometer 55, 57, 59, 61, 63, 65, 68, 70, 72, 74.

Sections 3.2 and 3.3 attempted to provide a first empirical substantiation regarding the internal and the interactive capacities of the Greek state. A first attempt at linking the empirical information with the conceptual framework that was provided in chapter 2 reveals a state with limited capacities to engage in meaningful transformative programmes of the domestic economy. This is due to a combination of factors related to internal difficulties, interactive capacities and the complementary actions that emerge from the two. An even more thorough picture of these issues emerges from an examination of the World
Bank Governance indicators (see Appendix II). In these, an effort is made by the World Bank to measure the internal and external capacities of the states along certain variables. These are: voice and accountability, government effectiveness, regulatory quality, the rule of law and control of corruption. In a comparative perspective with other countries, Greece emerges as scoring low in all those categories, whilst there is little change over time.

Again, the data presented in the Governance Indicators need to be read with certain caution, since many commentators have expressed strong reservations regarding their validity. In particular, as well as reservations about the validity of quantifying governance issues in general, the fact that the Governance Indicators present perceptions regarding the issues measured, leaves them open to biased measurements. There is little doubt that the ‘experts’ who were interviewed must have been influenced by the basic parameters of the ‘Washington Consensus’ that has dominated development issues in the last twenty years. One of the tacit components of the consensus is a deep suspicion regarding the role of the state in the process of socioeconomic development. Hence it is to be expected that they must have expressed reservations about the quality of the governance process in their country. Moreover, it is not clear how comparable these indicators actually are for countries with such distinct socioeconomic, political and administrative traditions and histories. Nonetheless, despite these limitations, the fact that Greece scores low in all six categories measured must provide a useful snapshot regarding the internal and interactive capacities of the Greek state.

On the whole, it must be pointed out that the empirical information that emerges through the data in this chapter and the analysis that accompanies them, does not aim to corroborate the stereotypical argument that the Greek state is incompetent and the country’s civil society weak. That is, I do not aim to offer two distinct sets of empirical information that fail to capture the dynamics of the interactions between the state and the surrounding socioeconomic environment. Following the conceptual framework that I set out in chapter 2, I provide the empirical information in this chapter in order to depict the difficulties that

---

156 For example, Arndt and Oman, 2008 amongst others.
emerge when the two spheres attempt to form meaningful synergies in the field of a developmental policy. Therefore, by presenting the information on the internal capacities I point to the diminished coordinative capacity of the Greek state on the one hand. By presenting the information on the embeddedness and the interactive capacities, I postulate the diminished stock of trust in Greek society so as to describe a situation where the state does not find it easy to successfully embed its developmental activities in the society. This can also be read differently, however, in that the actors that come from the civil society also find it difficult to establish meaningful relationships with the government officials in order to promote the development of their area.

Furthermore, this diminished capacity for successful state-society synergies does not mean that the interaction between the two spheres does not produce any results as some commentators seem to assume.\(^\text{158}\) If anything, it becomes clear from the above information that for example through petty corruption in relation to the public sector, the actors from the civil society do manage to acquire governmental resources. Furthermore, through the clientelistic interchanges that involve party politics and public sector jobs, voters also manage to obtain governmental resources. One cannot possibly argue, though, that these practices are consistent with any notion of universality that is integral in a liberal democratic context.

Similarly, as far as the internal state capacities are concerned, it would be wrong to assume from the above that the Greek state is weak in imposing its views on the society. As was shown in the case of the imposition of the common currency in the 1990s – as well as the broader steps towards the modernisation of the country taken in the last thirty years – the state is indeed able to act autonomously in relation to society.\(^\text{159}\) The short term sacrifices that were demanded in order to achieve the convergence criteria were accomplished. This is a case of what Weiss and Hobson\(^\text{160}\) call the ‘despotic capacity’ of the state and its capability to resist vested interests and promote long-term objectives. Nonetheless as will

\(^{158}\) Diamandouros, 2000 has distinguished between two ‘cultures’ –a modernising and a more traditional one- operating in the Greek context. Despite the validity of this distinction, this dualism ignores other factors that contribute in the creation of such dualism.

\(^{159}\) Voulgaris, 2006.

\(^{160}\) Weiss and Hobson, 1995.
be discussed in greater length in the next section, this has happened because of the political architecture of the project of EMU which does not require the explicit consent of social groups. The quest for the accomplishment of the EMU criteria became largely a top-down affair and the social groups were only indirectly involved in providing their consent. Hence, they could not engage in any attempt to ‘sabotage’ the imposition of the currency by protecting their vested interests which is a usual response in the case of EU induced reforms in Greece.

However, when it comes to the need to implement a policy such as the EURP that – as will be shown in chapter 4 – explicitly states the requirement for state and non-state actors to collaborate effectively, the situation becomes different. The aim of the EURP is not to impose a regulatory framework to the recipient countries but to actively involve state and non-state socioeconomic and political actors in internalising the parameters outlined by this framework. Because of the top-down and the bottom-up characteristics discussed in the previous two sections, the scope for the effectiveness of these aims is limited. Therefore, in the area of EURP the state does not manage to insulate its actions from societal demands and also civil society does not allow the state to successfully embed itself in its activities.

3.5. The process of Europeanisation and patterns of domestic compliance with EU requirements

Two distinct phases can be identified in the relationship between the EC/EU and Greece. When the country entered the EC there was increased hostility at what was perceived to be a loss of national autonomy. Since the introduction of the Single European Act (SEA) there has been a profound change in the relationship, with these patterns intensifying during the 1990s. The political relationship between Greece and the EC begins with the Association Agreement that was signed in 1961. Because of the seven year dictatorship the Association Agreement did not influence the relationships between the country and the supranational entity and it was suspended in 1967.161 It was after the restoration of democracy in 1974 that Prime Minster Karamanlis applied for full membership of the EC. However, the initial stages of the relationship between the country and the EC were not without problems.

As a result of two factors – the extensive intervention of the USA and the devastating result of the Cyprus crisis – anti-American and anti-Western feelings were created amongst the Greek population at the time of the submission of the application. This was the public perception on which the Pan-Hellenic Socialist Movement (PASOK) built its support before its election into government in 1981, which coincided with the accession of Greece to the Community. In practice this stance meant that the first wide-ranging socialist party of the country cooperated with the Communist Party (KKE) in their opposition to the country’s accession to the EC. Both these parties, in order to demonstrate their disapproval of the accession, abstained from the vote that took place in Parliament in 1979 and that would ratify the country’s entry into the Community.\footnote{Mousouroulis, 2010.}

Although PASOK toned down its opposition against the Community after the elections of 1981, its leader Andreas Papandreou never stopped being suspicious of the objectives of further market integration. This however does not imply that he became an advocate of an alternative project of European political or cultural unification but he retained his animosity towards the EC.\footnote{Dimitrakopoulos and Passas, 2004.} It was only a year after the accession of the country to the EC and the election of PASOK into government that the latter submitted a Memorandum to the Commission in which it appealed to the EC to take into account the ‘economic peculiarities’ of the country. The Commission replied that the instruments of the incipient Regional Policy of the Community would be deployed in order to indicate to Greece that it did take into account her peculiarities.\footnote{Papageorgiou and Verney, 1993.} The largest part of the Integrated Mediterranean Programmes (IMPs) would be diverted to Greece as a way of alleviating these ‘peculiarities’.

To conclude the first part of the section, during the initial stages of EC participation the Community was identified by the governing party and a segment of the left as representing the ‘foreign multinational capital’ and there were few signs that the suspicion of the Greek authorities towards their EC counterparts would alter. Nevertheless, there was indeed such
a change in the period after 1985 and especially after 1987 there was a u-turn, this time in the foreign policy of PASOK, which had direct implications for the domestic front as well.\footnote{165 Voulgaris, 2001; 2008.} The ambiguity that characterised the party’s relationship with the process of European integration altered.\footnote{166 Frangakis and Papayanides, 2003.} Especially after the signing of the Single European Act (SEA) in 1986 the party became more identified with an orthodox European social democratic perspective of the project of EC unification.\footnote{167 Verney, 1996; Dimitrakopoulos and Passas, 2004; Voulgaris, 2001.} Especially after the election of the Simitis government in 1996, the accomplishment of the convergence criteria became a central aspect of the country’s economic policy-making.

These changes seem to signal a partial, at least, Europeanisation of the Greek polity and more active patterns of participation in the supranational entities that were filtered at the domestic level. Nevertheless, the attitudinal and discursive changes of the country in relation to the EU were not confined just to the elites –both those responsible for running the country and ‘public intellectuals’ that were not directly involved in party politics- and who in any case have traditionally been more in favour of Europe than the citizens.\footnote{168 Voulgaris, 2008; Pagoulatos and Yataganas, 2010.} The support trickled downwards and is identified in the measurements of the Eurobarometer in relation to the attitudes of the public towards EU/EC membership and support for the main practical element of the completion of the common market, which is the single currency. With regard to the former, although the perceived benefits from the EC/EU membership were apparent to only 42% of the population in 1985, this increased steadily throughout the subsequent two decades (78% in 1990, 72% in 1995 and in 2000, and 67% in 2005). The last three points have been higher than the average EU 15 (46%) and EU 25 (52%). Even during the fiscal crisis of 2010 61% of the respondents thought that Greece has benefited from EU membership (53% average for the EU 27).

Similarly, during the same period the percentage of those who believe that EC/EU membership has been a good thing has been growing (45% in 1985, 75% in 1990, 63% in 1995, 61% in 2000 and 54% in 2005) with 57% and 69% the relevant percentages for the
EU 12, 56% and 50% for the EU15 and 50 for the EU25. Even during the fiscal crisis of 2010 44% replied positively in this question and 34% responded with ‘neither good nor bad’ (49% and 29% the EU27 average). Similar results are recorded about the euro; although the support for the common currency was higher before its introduction than afterwards (64%, 67% in 1990 and 1995 respectively), it peaked at 70% in 2000 and in 2003 at 64%, which are amongst the highest percentages in the eurozone countries. In the slightly modified question of whether an economic and monetary union with a single currency is a good thing 64% of the respondents agreed. Finally, without delving into details, there is similar appetite on behalf of the Greek population for the promotion of political integration at the EU level.

Therefore, the benefits of participating in the EU have become obvious to the Greek population in recent years, which was not the case during the first period of EC membership. The question, however, is to what extent these broader changes of attitude have had any influence on practical institutional aspects, which is of more relevance to the question posed in the thesis. That is, there is no doubt that the Greek polity has become ‘Europeanised’ during the last twenty years or so. Nonetheless, the extent to which this widespread acceptance has signalled any changes in the patterns of the internalisation of the practical EU demands to domestic administrative, institutional or even political practices is doubtful. Thus, it is still unclear whether these changes were anything but epiphenomenal or indeed if there was any substantive change to speak of.

The patterns of transposition of EU regulations to the domestic administrative and legal systems substantiate the point that the Greek public administration has struggled to cope with the practical demands of participating in the EC/EU.169 The most authoritative study of the patterns of domestic compliance to EU regulations and norms of member states in the last ten years170 has termed Greece an ‘awkward partner’ and belonging in the ‘world of neglect’ in that respect. In other words, apart from some ‘pockets of efficiency’ the wider political and administrative systems of the country are finding it very difficult to deal with

---

170 Falkner et al. 2005.
the technical requirements that are involved in the EU ‘acquis communautaire.’ Apart from certain segments of the political and administrative systems which are constitutionally required to deal with the Commission and the Council-relevant secretariats in ministries-the Greek political system struggles when it comes to coping with the practical demands of EU integration. The administration exerts significant resistance when it comes to internalising the demands that accrue from EU membership and is more interested in sustaining the status-quo and avoid significant disruption to its internal workings.

Furthermore, the public debt that has accumulated during the last thirty years has created an unsustainable fiscal position that resulted in the near default situation of 2009-10. In 2009 the government deficit reached 13.6% and the public debt escalated to around 115% of GDP, which lead to the inability of the government to repay its loans. This resulted in the introduction of a low-interest loan of 110 billion euros funded jointly by the European Commission, the European Central Bank and the International Monetary Fund and the imposition of strict monitoring by these organisations. True, this crisis has raised serious concerns about the economic governance arrangements at the EU level relating in particular with the lack of fiscal arrangements that would accompany the EMU but also the political power of the credit agencies which played a pivotal role in the whole affair. Moreover, the slow response of the German government during the crisis only served to exacerbate these problems. However, few commentators would now suggest that the crisis has not primarily been the result of embedded characteristics of the domestic political economy which were sustained as a result of the lack of domestic reforms that could have eased the participation in the common currency.

What is more important however is that there is little evidence to suggest that the fiscal expansion that resulted in this situation has had any redistributive impact in terms of alleviation of poverty, with the country being amongst the least effective EU members in

173 Frangakis and Papayanides, 2003; Pagoulatos, 2011.
174 Featherstone, 2011.
175 Ibid.
Likewise, the Greek welfare state has been primarily funding pensions and the majority of public expenditures has been directed to pensions enjoyed by those that have benefited from party political clientelistic and patronage exchanges and no Europeanising impact has been identified in that respect. Any welfare state reform in the past 25 years that aimed at altering this situation and improving the redistributive impact of the welfare policies has met with considerable resistance from private interests and bureaucratic mechanisms.

Similarly, there is little evidence to suggest that the fiscal expansion has had any lasting impact in alleviating the structural problems of the Greek economy and improving its competitiveness. True, the problems of low competitiveness are compounded by the exposure of the country in the EU markets through its participation in the EMU without enjoying the economic capacity to compete in such an environment. Furthermore, the loss of the ability to devalue the currency that came as a result of participating in the eurozone has not helped in averting the crisis of 2010. In any case the point remains that -in the short run- the adoption of the common currency was not accompanied by successfully implemented domestic structural reforms that would have eased the participation of Greece in the eurozone; hence the impact of the EU in this policy area remains limited.

The problems that relate with the paradox of fiscal expansion with insignificant developmental and/or redistributive outcomes are compounded by the persistent tax evasion, which was discussed in the previous section and affects the fiscal position of the country. The tax collecting capacities of the Greek state were amongst the least affected areas by the EU; hence the fiscal expansion is not accompanied by any extension of the tax base, which remains narrow. That means that contrary to popular belief, the Greek fiscal difficulty is not primarily a problem of expenses but more one of collecting revenues. The situation is made worse by the extensive shadow economy and the extensive

---

176 Matsagganis, 2006.  
177 Pagoulatos, 2011.  
179 Pelagidis, 2010.  
180 Pagoulatos, 2011.
corruption, which were also discussed in the previous section and show little signs of diminishing.

To conclude, there is little doubt that during the last thirty years the Greek polity has come closer to the norms and expectations broadly and maybe simplistically defined as ‘European’. Given the authoritarian tendencies of large segments of the Greek society – discussed in the above section about the rates of social capital - this is an undoubtedly positive development. However, there is equally little doubt that the changes in attitudes and values did not affect the Greek institutional and administrative systems. The influence of the EU in altering the empirical aspects that determine administrative and institutional outcomes has been limited. Successive governments have attempted to reform the Greek political economy along the lines postulated by EU membership but have failed to acquire the necessary social and political support that was needed in order to succeed. Thus, it can be concluded that the Greek population remains strongly pro-European when it comes to measurements of public opinion. However, things change when the discussion turns to the issue of the domestic adaptation to institutional and administrative EU requirements.

3.6. Conclusion

The aim of chapter 3 was to provide a first attempt to link the conceptual framework provided in chapter 2 with the empirical elements that can answer the research question that I pose in the thesis. The first two sections discussed the issues of the internal administrative and interactive capacities of the Greek state. In those, it became clear that the Greek bureaucracy lacks the necessary characteristics to contribute to the creation of developmentally meaningful state-society synergies. The third section of the chapter discussed the issue of the Europeanisation of the Greek polity and the patterns of compliance of the Greek political system to the requirements of EU membership. It concluded that during the last twenty years there have been significant changes in relation to the impact that the participation in the EU has had on the country’s polity. Nonetheless, these changes have not had any profound impact on the administrative capacities of the Greek state.
In other words, it is unlikely that the changes identified in the third section and relating with Europeanisation contributed to reversing the dynamics of the state-society relationships that were identified in the previous two sections. The Europeanisation of the country did indeed affect the capability of the Greek state to act autonomously from societal interests in issues of greater significance. However, as will be shown in chapters 5 and 6, when it comes to the structural programmes that were funded through the EURP, the ability to form meaningful state-society synergies have remained limited. This has followed the broader patterns of discrepancy between supranational requirements and the domestic reforms identified in the last part of section 3.5. In the case of the EURP of course the element of conditionality for the attainment of the structural funds is even stronger than the broader attempts to reform domestic institutional systems. Hence, the impact of the policy on domestic institutional and administrative practices is bound to be stronger. This is because the Commission does not simply transfer funds from the EU budget to the poor member states; it attaches a series of principles that the member states are to aim to integrate into their domestic political and administrative systems so as to receive the funds. The next chapter attempts to provide an overview of these requirements and to link them with the conceptual framework of the thesis.
Chapter 4. The ‘added value’ of the EURP

4.1. Introduction

This chapter outlines the principal features of the EU’s Regional Policy, emphasising the particular requirements that are set by the Commission for all the countries that receive funding from the structural funds. The next section deals with the establishment of the EURP and attempts to position the debates surrounding it within the relevant theoretical frameworks. It also provides a brief historical account of the development of the policy before focusing, in the following section, on the operational framework designed in the 1990s. The regulatory framework accompanying the provision of the funding is described as the ‘added value’ of the EURP. This mainly refers to the non-financial advantages that accrue to the recipient countries through their participation in the policy. These can be general effects on domestic governance structures or processes of implementation, and/or specific effects relating to the impact that each of the principles governing the operation of the EURP has on domestic institutional practices. These effects complement and contribute towards the main aim of the EURP which – as described in Article 158 of the Treaty – is the reduction in interregional and inter-country disparities and the achievement of socioeconomic cohesion within the EU. The penultimate section of this chapter provides a first attempt to link the regulatory context of the EURP with the conceptual framework that I developed in chapter 2 and substantiated about the Greek case in chapter 3. The final section concludes.

4.2. Establishing the EURP

The European Union Regional Policy (EURP) is the second most important policy area of the EU in budgetary terms.\textsuperscript{181} It is the policy implemented through the Structural and the Cohesion Funds and its main target is the harmonisation of the development of the European territory and the alleviation of regional imbalances between and inside the different member states. It is the supranational version of the policy developed after the end of World War II in many West European countries as part of an extension of Keynesian

\textsuperscript{181} Tsoukalis, 2003; Molle, 2008; Tondl, 2007.
macroeconomic management.\textsuperscript{182} Essentially, the aim of the policy is to do for territories that lag behind in terms of equality what social policy does for individuals.\textsuperscript{183}

To be sure, the theoretical underpinnings of the EURP are far from straightforward. In addition to the logic set out by Keynesianism, the theories of ‘cumulative causation’ have also provided essential theoretical components on which the empirical aspects of the policy are based.\textsuperscript{184} According to these theories, and contrary to the assumptions made by the neoclassical models, the unfettered operation of the markets does not lead to convergence amongst regions. Instead, in a completely free market context, the already established disadvantages from which the poor areas suffer are exacerbated.\textsuperscript{185} This will happen because capital and employment will be attracted to the areas where they will have greater returns on their investment, which are the rich regions. This will create a situation in which political resources as well as economic ones will continue to agglomerate in or around the rich regions, with the poor ones gradually being left even more behind.\textsuperscript{186} In terms of the policy implications, the main result drawn from the theories of ‘cumulative causation’ is that if there is no governmental intervention that seeks to reverse these dynamics the poor areas will only become poorer, since the cumulative causes will continue to attract investment to already rich areas.

This is the point where the theoretical insights of the previous paragraph and those of the agglomeration theories meet. In order to reverse the dynamics identified by the theories of ‘cumulative causation’, active governmental intervention as practised by policies influenced by Keynesianism is indispensable. This is why the EURP has also been identified as the main instrument of the proponents of ‘managed’ as opposed to unfettered capitalism in the EU.\textsuperscript{187} Nonetheless, it is worth pointing out that the aim of the EURP is not simply to redistribute resources from the rich to the poor regions. Instead, the establishment of proper mechanisms for fiscal federalism that provide a permanent channel

\textsuperscript{182} Keating, 1998.
\textsuperscript{183} Keating and Loughlin, 1997.
\textsuperscript{184} Behrens and Smyrl, 1999.
\textsuperscript{185} Vanhove, 1999; Tsoukalis, 2003; Tondl, 2007.
\textsuperscript{186} For a more in-depth examination of the neoclassical and the endogenous theories of regional economic growth, see Vanhove, 1999 and Armstrong and Taylor, 2000.
\textsuperscript{187} Hooghe, 1998.
through which this transfer takes place is indispensable in the logic adopted to accompany the execution of the programmes funded through the EURP. This involves the local populations in the process and will provide them with the necessary motivation to utilise the redistributed funds.\footnote{Behrens and Smyrl, 1999.}

The Treaty of Rome included some chapters with redistributive elements, such as the chapter on social policy.\footnote{Keating and Loughlin, 1997, Manzella and Mendez, 2009.} Nevertheless, the relatively homogenous levels of economic development among the six founding member states and the high growth rates that each of them achieved during that period\footnote{Delivered largely because of the active regional intervention by some of them.} made the development of a large scale EU regional development policy unnecessary. Furthermore, the idea that the EC could or should intervene in the economic management of the member states on such a micro scale had not gained any credibility.\footnote{Keating and Loughlin, 1997, Manzella and Mendez, 2009.} Therefore, a supranational policy that would include the national and sub-national authorities in its execution was not seen as a priority;\footnote{Leonardi, 2005.} hence, the regional policy was ‘the great absentee’ of the Treaty of Rome and the coordination of national regional policies was preferred.\footnote{Manzella and Mendez, 2009.}

The first time that the Commission decided to examine the EC’s ‘regional problem’ was in 1964. As a result, it asked an ‘expert group’ to produce a report that would discuss the differences of economic development amongst the areas that comprised the EC. This was done with reference to the theories of ‘cumulative causation’ and the main result was that there was an obvious need for the Community to address the regional differences of its territory.\footnote{Behrens and Smyrl, 1999.} These efforts should complement the operation of the market forces that were promoted through the single market. It was thought that the unfettered operation of the markets would create asymmetrical effects in countries with different socioeconomic structures; hence an EC redistributive policy could compensate for those effects. Successive reports by the Commission adopted the recommendations of the 1964 ‘expert group’.\footnote{ibid.}
Also, the Directorate-General for Regional Policy was created in 1968, which was a clear sign of increased interest in these issues.\footnote{Manzella and Mendez, 2009.}

The need for regional intervention on behalf of the Community started to become fully realised with the accession of the UK, Ireland and Denmark in 1972.\footnote{Bache, 1998; Dunford et al., 2001; Leonardi, 2005.} The accession of the UK also raised the political need to provide tangible returns to the country from the EC budget. This was the case because the UK was not eligible for funding arriving through the other redistributive policy, the Common Agricultural Policy (CAP).\footnote{Molle, 2008; Bache, 2008; Manzella and Mendez, 2009.} In 1973 the ‘Thompson Report’\footnote{Named after the British Commissioner for Regional Policy.} on the enlargement of the EC sought to address some of the regional policy concerns highlighted by the previously noted ‘expert group’. It concluded that although the objective of the enlargement of the EC had been achieved, the balanced and harmonious development of its territory had not.\footnote{http://ec.europa.eu/regional_policy/policy/history/index_en.htm, accessed 15 Mar 2010.} As a result of these considerations, the European Regional Development Fund (ERDF) was introduced in 1975 in order to support individual projects of regional economic development in the poorer member states. Its logic was wholly intergovernmental\footnote{Manzella and Mendez, 2009.} in that it did not impose any administrative or regulatory changes and only provided funds to the recipient countries for the implementation of specific projects. It entailed a commitment to co-financing of the projects by the recipient countries, a principle which has remained an integral part of the policy ever since.\footnote{Bache, 2008.} Generally however, the national governments were the main actors in the implementation of the policy and viewed these finances as reimbursements for their contributions to the EC budget.\footnote{Bache, 1998.}

After the next two waves of enlargement in 1981 and 1986, the disparities amongst the member states of the EC widened significantly. Furthermore, there was a consensus between the Commission and the Council that the political developments that would lead to the completion of the single market were likely to let loose centripetal economic forces that
would benefit the countries of the European core at the expense of the underdeveloped periphery.\textsuperscript{204} As a result, the first Integrated Mediterranean Programmes (IMPs) were designed in 1985 with their main innovation being the multi-annual programming perspective and the implementation of large scale programmes rather than the individual projects which had hitherto been funded by the ERDF.\textsuperscript{205} Greece, Italy and France were the countries which would benefit from this funding. The political impetus was provided, amongst other factors, by the Commission’s need to respond to the Greek threat to withdraw from the EC unless the Commission took into account the country’s special socioeconomic ‘peculiarities’, which was discussed in section 3.4.\textsuperscript{206}

It was the first Reform of the Structural Funds in 1988, however, that effectively introduced the policy with the initiation of the four Structural Funds. The reform followed the signing of the Single European Act (SEA) in 1986, which provided the catalyst for the intensification of the then EC’s economic and political integration. The SEA included an explicit commitment to strengthen the economic and social cohesion of the EC through the amendment of the structure and the operational rules of the Structural Funds.\textsuperscript{207} Therefore, following the Reform, the previously existing European Regional Development Fund (ERDF) was amalgamated with the European Social Fund (ESF) and the guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF). The Financial Instrument for Fisheries Guidance (FIFG) was added in 1993. The aim was better coordination between the funds and other EC financial instruments such as the European Investment Bank (EIB).\textsuperscript{208}

Therefore, that was when the external stimuli for the Europeanisation of the national and sub-national authorities – and, through them, of the countries involved – started taking shape. In other words, it is the first time that the efforts to decrease the interregional and inter country disparities within the EC involved the Commission and the member states

\begin{flushright}
\textsuperscript{204}Rodriguez-Pose and Fratesi, 2004 offer a discussion of the centripetal vs. the centrifugal forces that operate in Europe because of increased integration based solely on economic competition - or what is described by Scharpf, 1999 as ‘negative integration’ - see also Puga, 1999.
\textsuperscript{205}Leonardi, 2005.
\textsuperscript{206}Leonardi, 2005.
\textsuperscript{207}Sutcliffe, 2000.
\textsuperscript{208}Bache, 2008.
\end{flushright}
more actively. Nevertheless, the aim was not to cancel the previously existing national, regional and development policies. Far from that, through the introduction of the principle of additionality the aim was to ‘add a European dimension and level to already existing national development policies.’\(^{209}\) Therefore, the Commission would be responsible for the drawing up and formulation of the main rules and regulations that governed the activities of the EURP. That would happen following consultation with the recipient countries. To be sure, the extent of the Commission’s involvement and authority in the stages of the design and the implementation of the EURP is still contested. Some scholars attribute more importance to the influence exerted by the member states and others see the supranational executive as the most important actor.\(^{210}\) There is little doubt, however, in both positions that the Commission exerts significant influence through which the forces for Europeanisation of the recipient countries emanate.

The EURP was further consolidated when the 1992 Maastricht Treaty created a new financial instrument, the Cohesion Fund. This would assist the four poorer member states of the time – Greece, Spain, Portugal and Ireland – in enhancing their capacity in terms of physical infrastructure (such as roads) and the environment. The rationale of the intervention attempted by the Cohesion Fund is slightly different from that of the Structural Funds in that it finances individual projects and was established with the explicit objective to assist the recipient countries in achieving the convergence criteria and enter the Economic and Monetary Union (EMU). Furthermore, the requirement for the co-funding of the projects by the national authorities is not so strict in the case of the programmes funded by the Cohesion Fund. For the Structural Funds, the domestic authorities need to come up with at least 50% of the funds, whilst in this case the Commission’s contribution would reach around 80% of the budgets for each project. Nonetheless, in this thesis these interventions are examined concurrently with those of the Structural Funds because the administrative framework that was created in order to support their interventions is common. The Structural Funds also contribute to the financing of the Community

\(^{209}\) ibid.

\(^{210}\) This literature is vast. For a review and a critical appraisal of both positions see Bahtler and Mendez, 2007.
Initiatives and the Innovative Actions that follow a different approach and do not form part of the current study.

The decade of the 1990s was the heyday of the EURP. After the first Community Support Framework (CSF) was implemented in 1989-1993, the introduction of two new programming periods of CSFs – 1994-1999 and 1999-2006 respectively – followed. In 1999, the regulations that govern the activities of the Structural Funds were reformed, with the main aim being the decentralisation to the member states of the implementation of most competences related to the projects’ implementation. In financial terms the significance of the regional projects continued to increase, since the total amount of funds that the EU devotes to the effort to decrease regional disparities has more than doubled since the end of the 1980s. Overall, the Structural Funds were allocated €195 billion (at 1999 prices) for the period 2000-2006. In addition, the Cohesion Fund would provide €18 billion for projects of enhancement of physical and natural infrastructure implemented in the recipient countries. According to a calculation, the regional development policies of the Commission increased in budgetary terms and they grew from representing a mere 10% of the Communities budget and 0.09% of the EU-15 GDP in 1980 to more than one third of the budget and around 0.37% of the EU GDP on average for the period 1998-2001.

Despite the increase in the funds devoted to the structural programmes of the Commission, it is worth pointing out that in real terms the financial implications of the regional budget are not as significant as is usually assumed. The main reason for this is the admittedly low level of the EU budget in general, which determines the amount of funding available for regional spending. Despite this, the EURP is very significant for the poorer EU countries, which under periods of austerity imposed by the participation in the common currency would probably find it difficult to finance similar programmes from national resources. For example, in the case of Greece the Commission estimated that as a result of the EURP funding of the period 1995-2005 the country reduced its gap with the rest of the

211 Begg, 1997.
212 Puga, 2002.
213 ibid.
EU, moving from 74% to 88% of the EU average in 2005.\textsuperscript{216} This point is reinforced through the examination of the contribution of EURP funding in the national public capital expenditure. The Commission estimated that for the period 2000-2006, this reached 60% in Portugal, 48% in Greece and 24% in Spain.\textsuperscript{217} Overall, the conclusion that can be drawn from the above is that from its very humble beginnings, the EURP has acquired increased significance as a common regional development policy at the EU level. Both financially and constitutionally, the objectives of reducing socioeconomic disparities within the EU countries and regions have consolidated over the years.

4.3. The principles of the EURP

According to most commentators of the EURP, its importance lies not only in what the policy does – it is the most important mechanism with explicit redistributive as well as developmental elements at the EU level – but also how it does it.\textsuperscript{218} The structural funds provide assistance to the recipient countries in accordance with certain criteria which have significant implications for all the actors involved. This is what is described in the relevant literature as the ‘added value’\textsuperscript{219} of the policy, delineating the qualitative impact that it has on the domestic institutional structures, as they emanate from the regulatory framework that governs its operations. Certainly, an accurate definition of the term ‘added value’ has not yet been provided. The Commission itself describes the ‘added value’ that accrues from the EURP as related not only to the financial expenditure incurred but also to the method of implementation of the programmes. As it puts it in the Third Report on Economic and Social Cohesion:

> Beyond the net impact of policy on GDP or employment, (the EURP’s) added value arises from other aspects, like the contribution made to regional development by factors such as strategic planning, integrated development policies, partnership, evaluation and the exchange of experience, know-how and good practice between regions.\textsuperscript{220}

\textsuperscript{216} CEC, 2004.
\textsuperscript{217} Quoted in Manzella and Mendez, 2009.
\textsuperscript{218} Baun and Marek, 2008.
\textsuperscript{220} CEC, 2004.
The most systematic attempt to capture the specificities of what the term ‘added value’ describes in the context of the EURP is made by Bachtler and Taylor.\textsuperscript{221} Although they admit that what can be included in the term is highly subjective, they attempt to provide a definition of it as: ‘something which has been enabled or which could not have been done without Community assistance.’\textsuperscript{222}

Furthermore, they examine the concept in relation to five parameters: namely those of cohesion, politics, policy, learning and operational added value. They also point out that the added value of the EURP inevitably varies greatly across different geographical parts of the EU, with the impact being dependent on a combination of domestic administrative and programming arrangements. Therefore, the impact of the policy on the recipient countries goes beyond the potential reduction in socioeconomic disparities, as general institutional effects are equally important. These may range from improving coordination, inclusiveness and long-term strategic planning in the process of public policy making, to diffusing European values and attitudes and steering domestic policies in a ‘Europeanised’ direction.\textsuperscript{223}

In general, the logic of the intervention attempted by the Structural and the Cohesion Funds is much more complicated than what is assumed by those who are not familiar with the EURP. These commentators tend to assume that redistribution from rich to poor areas is the sole objective being pursued.\textsuperscript{224} However, in reality the funds do not attempt to transfer financial resources in the recipient areas as is being done for example through the CAP. Instead, the aim is to select the areas that benefit from the intervention in such a way as to diffuse the responsibility for the projects and enhance the endogenous capabilities of the private sector in the areas that benefit. As Leonardi\textsuperscript{225} puts it:

> the reason for insisting on this multi-level and multi-actor logic in the operationalisation of EU cohesion policy is the belief on the part of the Commission and a majority of member states that the mere expenditure of public resources will not be sufficient for the mobilisation of development. Instead, the public allocation

\textsuperscript{221} Bachtler and Taylor, 2003.
\textsuperscript{222} ibid.
\textsuperscript{223} Manzella and Mendez, 2009.
\textsuperscript{224} Marrate and Hall, 2001.
\textsuperscript{225} Leonardi, 2005.
of resources must, in the final analysis, be able to mobilise investment from the private sector to create a multiplier effect...

The aim of promoting the endogenous capabilities of the regional economies is achieved through the four principles that regulate the financing of the projects; namely, those of programming, concentration, additionality and partnership. Broadly speaking these four principles aim at attributing responsibilities to actors involved in all stages of the EURP, the designation of specific sets of objectives, the establishment of an appropriate framework for intervention and the deployment of instruments.\textsuperscript{226} These principles were decided with the first major reform of the structural funds in 1988 and have remained an integral and surprisingly consistent part of the operation of the programmes throughout the last twenty years.\textsuperscript{227} Despite some changes that occurred as a result of further reforms in 1993 and 1999 the rationale has remained more or less unchanged.\textsuperscript{228} The principles’ main role is to distribute the competencies and responsibilities for the execution of the policy among the territorial levels involved: the EU, the national and the regional/local ones. Thus, they constitute the mechanisms through which the forces of Europeanisation are transferred to the national and regional levels. Although the regulatory framework through which the principles are applied are the same for all the recipient countries, there is sufficient scope for interpretation, which defines the patterns of the implementation of the programmes.\textsuperscript{229}

In particular, the four Structural Funds and the Cohesion Fund finance projects in specific areas, in accordance with the Objectives set out by the Commission. An area becomes eligible for assistance from projects financed from each of these objectives in accordance with certain criteria. Then national authorities of the member states design the projects incorporated in each CSF and submit these to the Commission for approval. The CSFs are designed on the basis of recommendations offered by the regional authorities of each country that submits Regional Development Plans (RDP). The Commission negotiates these proposals with the member states individually and finances the projects that contribute to the objectives.

\textsuperscript{226} Molle, 2008.
\textsuperscript{227} Bache, 2008.
\textsuperscript{228} Sutcliffe, 2000; Molle, 2008.
\textsuperscript{229} Bailey and De Propris, 2002.
Broadly, this process is the outcome of the influence exerted by the regulations related to
the programming and the concentration of the funds diverted through the EURP. The
programming component ensures that the transfers do not finance individual projects that
may have questionable developmental effects. Instead, the aim is to integrate the finances
with programmes that can have a positive economic impact on the locality where they are
implemented. These are the previously mentioned CSFs, which are multi-annual plans and
entail specific developmental objectives for each region. There is a specific need, however,
to demonstrate coherence between the projects funded in each administrative area. In
addition, the concentration of the developmental objectives by the Commission imposes
reliable and functional criteria on the management of the funds.\textsuperscript{230}

Generally, the logic of programming adopted by the EURP follows a distinction between
the ‘hard’ and ‘soft’ interventions.\textsuperscript{231} The former provide funding for physical infrastructure
projects whereas the latter support programmes that attempt to increase the tacit elements
of a regional and national economy such as the levels of education or vocational training. In
both the ‘hard’ and the ‘soft’ interventions, the objective is to deliberately influence
economic activity by employing appropriate measures.

There is also a distinction between the national – or sectoral – and the regional levels of
intervention in the design of the EURP, and particularly the principle of programming.\textsuperscript{232}
The sectoral and regional Operational Programmes (OPs) are the two instruments through
which the EURP is channelled via the supranational to the national and regional levels.
Each OP specifies in as much detail as possible the priorities for the sectoral or the
geographical areas of intervention in accordance with the general priorities included in the
CSF. The operational interventions anticipated by each OP are implemented through multi-
annual measures and funding. The financial significance that each group of OPs acquires as
well as the patterns of the implementation for each case reveal a frequently contradictory
picture in the aims of the programmes.\textsuperscript{233} If an area suffers from high levels of regional

\textsuperscript{230} Allen, 2000.
\textsuperscript{231} Halkier, 2006.
\textsuperscript{232} Halkier, 2006; Molle, 2008.
\textsuperscript{233} Halkier, 2006.
inequalities, the regional OPs are likely to receive more funding. That means that there are a large number of institutions and stakeholders involved in the implementation of the OPs.

Both these two types of intervention – ‘hard’ vs. ‘soft’ and national vs. regional – aim at amalgamating elements of the two ideal types of intervention normally financed through the regional policy as well as the geographical foci of the policy. Thus, on the one hand there are the ‘hard’ measures that normally aim at upgrading the physical infrastructure of an area and on the other there are the ‘soft’ measures that direct funding to the more tacit elements of a locality’s economic and social activity. Also, both the sectoral and the regional components of the programme combine elements of top-down and bottom-up interventions. In the first case, the national authorities are the ones that implement the policy whilst in the second there is more focus on the endogenous social and political institutional structures. What is worth mentioning in this context is that the distribution of the funding to the national and the regional components of the EURP is the exclusive prerogative of the member state. The Commission acts as a consultative body but both the initially designed appropriation and the finally allocated funds remain the responsibility of the national authorities.

The implications of the principle of concentration are more straightforward. Since 1999 the Structural Funds have operated in three developmental Objectives. Objective One relates to the assistance of regions facing significant developmental problems, which are those regions whose GDP per capita measured in Purchasing Power Standards (PPS) is less than 75% of the EU GDP. The second Objective concerns the areas that face broader structural difficulties: high unemployment rates, de-industrialisation, and dependency on a particular economic sector. Finally, Objective Three supports projects for education, technical skills and training. It is probably worth indicating that only the first Objective specifies the quantifiable aims of the intervention. The fact that the remaining two Objectives do not employ similar criteria has made them the focus of criticism of the policy.

234 Halkier, 2006, pp. 35-53 provides an interesting discussion of the ‘philosophy’ behind the regional policies.
235 Leonardi, 2005.
The three Objectives decided after the review of the Regulations of the Structural Funds in 1999 are not very different from those that existed during the previous periods. The main change was the amalgamation of the previous six Objectives into three new ones, a reform made more for reasons of simplification than anything else. All four Structural Funds finance projects in the Objective One areas. Moreover, the ESF is responsible for the finances provided under the third Objective, and both the ERDF and the ESF are responsible for the projects of the second Objective.

Having clarified the main operational roles played by the principles of programming and concentration I will now turn to the other two principles governing the operation of the Structural Funds: additionality and partnership. The principle of additionality ensures that the programmes initiated by the Commission do not replace any attempts made by the national authorities to reduce inequalities in income or employment within their territory. Moreover, it aims at ensuring that the EURP funds will maximise the impact of public intervention. As mentioned above, even during the period prior to the 1988 reform of the regulations of the structural funds, when the Community was involved in the first projects of regional development financed solely by the ERDF, the projects were intended to complement those initiated in the recipient countries. With the reform of the regulations in 1988, that principle was reinforced. As Allen puts it:

the member governments are...required to demonstrate additionality when they submit their planning documents to the Commission and the Commission has successfully threatened recalcitrant areas with the withholding of funds if they do not comply.

Although there were obvious problems in the enforcement and monitoring of the principle, which in the case of the UK are documented by Bache, the Commission retained the principle in the 1999 reform of the regulations. It attempted to simplify the process by introducing the notion of ‘negotiated additionality’ but the intention was always that the recipient country should secure a certain level of expenditure before the Commission would

---

236 Bache, 1998; Leonardi, 2005.
238 Article 9 of the new regulation 4252/1988.
fund the agreed projects. Nevertheless, even after these reforms, there is significant scope for interpretation of the requirements imposed by the additionality principle.\textsuperscript{242}

In particular, because of the scarcity of resources for the implementation of redistributive policies at the national level there is always the temptation for national governments to employ these funds in order to replace existing public finances. Moreover, there is the danger that they may employ the funding in order to ‘close’ holes in their public finances rather than for developmental purposes. In addition, it is not clear to what extent redirecting funds from one OP to another constitutes infringement of the principle of additionality. The Commission responds to these problems by capping the relevant resources at a certain level – 75\% for projects of the Objective One regions – and intensifying its monitoring of the member states in that respect.\textsuperscript{243} However, as will be shown in chapter 5, this process can cause difficulties in the relationships between the national and the Commission officials and the objective measure of capping the resources at 75\% of the total cost is not always robust enough to prevent practices that do not comply with the principle.

Finally, the principle of partnership aims at including in the process of the implementation of the EURP stakeholders that were previously excluded from the execution of similar programmes at the national level. This principle is closely linked to the principle of subsidiarity, which implies that the decisions should be taken at the level most competent to carry them out within the context of a broader co-operative network so as to be able to pool resources and experiences.\textsuperscript{244} The Commission placed increased emphasis on the inclusion of partners from the regional and the local levels that would promote not only democratic accountability but also the effectiveness of the financed programmes. The Commission’s view was based on the assumption that the actors from these levels would have a more thorough view of the problems that their areas face.\textsuperscript{245} The participation of sub-national actors is mainly in the process of the monitoring of the OPs, whilst in exceptional cases

\textsuperscript{242} Molle, 2008.
\textsuperscript{243} ibid.
\textsuperscript{244} CEC, 2005.
\textsuperscript{245} Bache, 1998.
they may be involved in project selection. In comparison with the other principles governing the operation of the structural funds-concentration, programming and additionality- partnership is the only principle that does not have a purely managerial dimension. Although the importance of the relevant partners working together in order to achieve the desired objectives is presented as promoting the efficacy of the programmes, the enhancement of the democratic process is an unintended consequence.

As with the other three principles, it was introduced in 1988. However, its importance was significantly enhanced with the reforms of 1993 and 1999. The meaning of the principle also changed substantially through these reforms. In 1988, the framework regulation adopted by the Council defined partnership as:

close consultation between the Commission, the member states concerned and the competent authorities designated by the latter at the national, regional, local or other relevant level, with each party acting as a partner in pursuit of a common goal.

In that respect, the aim of the principle was to actually penetrate the domestic political system of the recipient states and to involve the sub-national partners in the process. The hegemonic role of the central governments in the process was directly challenged, which was a very important development particularly for countries with limited traditions of decentralised governance structures.

With the reform of 1993 the principle of partnership was extended to include

the competent authorities and bodies –including within the framework of each member state’s national rules and current practices the economic and social partners designated by the member states.

Therefore, the definition of the partners that could be involved was extended to economic and social partners such as the trade unions. Nonetheless, the identification of these partners remained the prerogative of the central government.

246 EPRC, 2009.
Finally, the 1999 reforms included environmental and gender groups among the candidates of groups to be selected by the member states. Thus, partners could be actors from both the vertical and the horizontal dimensions of the policy.\textsuperscript{251} In relation to the former, partnerships would contain actors from the member states and the Commission. As far as the vertical dimension was concerned, there was the need to include actors from all territorial levels – regional and local – as well as representatives of social and economic interests from those levels. Although the vertical dimension is straightforward, the horizontal can become more complicated, since it is not always clear who the social and economic actors at local levels are.\textsuperscript{252}

The enforcement of the principle of partnership aims at creating ownership of the programmes implemented, by motivating the actors with the relevant expertise to be involved in a practical manner in all stages of the implementation of a project.\textsuperscript{253} As the Commission puts it:

\begin{quote}
By contributing their specific knowledge on a certain subject or region, their awareness of potential project applicants, partners can improve programme effectiveness by raising the efficiency of project selection. Generally speaking a widely drawn partnership leads to greater commitment and ownership of programme outputs and hence to a direct interest in the success of the programme.\textsuperscript{254}
\end{quote}

Furthermore, the participation of the regional and local actors representing the civil societies legitimises the processes followed and counterbalances any efforts to influence the programmes through non-institutionalised means. Thus, the transparency of the projects is improved, since the local populations can be actively involved in the selection processes. Through the enhancement of democratic participation by the regional and local actors, improved institutional capacity is achieved as well as a more effective application of the principle of programming.\textsuperscript{255} Thus, the logic adopted by the Commission is that through the adoption of a principle with dimensions that relate to the enhancement of the democratic processes, the other principles of the EURP are also positively affected. As a result, the

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{251} Tavistock Institute, 1999.
\item \textsuperscript{252} ibid.
\item \textsuperscript{253} Molle, 2008.
\item \textsuperscript{254} ibid.
\item \textsuperscript{255} ibid.
\end{itemize}
\end{footnotesize}
capacity of the institutional authorities involved is improved and the chances for the programmes to be effective are increased.

Nonetheless, not all actors are intended to have the same type of responsibility. Each of the participating organisations – the Commission, the member states, the regional authorities and the final beneficiaries (the respective project managers) – is assigned specific tasks in the process. They are asked, however, to cooperate with each other in all stages of the policy by each adopting the role that they are meant to play in accordance with the regulations in order to produce the most effective outcome. In practice, the institutional channels through which this takes place are the Monitoring Committees (MCs), which were established as part of the regional and sectoral OPs. These meet twice a year and representatives from socioeconomic interests express their views about the programme. These views may refer to developmental priorities that need to be followed as well as the progress of separate actions and projects.

To summarise the current section, there are four principles that govern the operation of the Structural Funds. Firstly, the principle of programming mainly aims at integrating the financed projects in broader developmental programmes that entail developmental objectives for regions and sectors of the national economy. Secondly, the principle of concentration ensures that the funds that become available from the Commission are directed towards the areas that are most in need according to specific objective criteria. Thirdly, the principle of additionality aims at ensuring not only that the EU funding does not replace any national finances for regional development purposes but also that the recipient countries co-finance the projects with the Commission. Finally, the principle of partnership aims at including representatives of socioeconomic interests from all territorial levels in all stages of the programmes. These principles have some interesting implications in relation to the empirical aims of the thesis. The principles of programming, additionality and partnership in particular are drawn by the Commission but the way in which they are implemented at the national level depends on the stock of administrative capacity and the ability of the state to form meaningful state-society synergies. The interplay between these two elements – the supranational requirements established through the four principles and
the domestic administrative and political practices – is the main issue that I explore in the
next section. The aspects of this interplay are discussed with reference to the management
tools that accompany the application of the four principles and provide practical guidance
about the mechanics of the implementation of the regional and sectoral OPs.

4.4. The principles and the conceptual framework

According to the conceptual framework developed in chapter 2, the internal administrative
as well as the interactive capacities of a state are the main elements that contribute to the
success of a developmental policy. The two spheres of the internal bureaucracy and the
capacity to interact with the surrounding socioeconomic environment were presented as
complementary in the process. The concepts of ‘state-society synergies’ and ‘Governed
Interdependence’ were employed as the most accurate conceptual descriptions of a state
which is both embedded in the surrounding civil society and complementing its actions. It
was also noted however that the extent of the success of this relationship is contingent on
the levels of social capital enjoyed in the area where the intervention is attempted.

This framework was operationalised in chapter 3 where a first attempt to provide
empirical substantiation for this argument in relation to Greece was provided. As far as the
internal capacities of the Greek state are concerned, the main conclusion was that the state
does not enjoy the elements that endow a bureaucracy with sufficient autonomy from the
wider political workings of the country. Furthermore, the lack of a civil service ethos and
the excessive legalism and formalism of the Greek bureaucracy exacerbate its ability to
develop strong internal capabilities. As a result, the Greek bureaucracy mainly suffers from
a limited ability to coordinate its actions internally, with different government departments
working in isolation. As regards the interactive capacities of the Greek state, it was noted
that the persistence of political clientelism ‘from below’ contributes to the creation of a
large public sector especially at its lower echelons. In addition, the perceived administrative
ineffectiveness and widespread corruption, especially in the lower ranks of the civil service,
diminish its interactive capabilities. Finally, the low levels of social capital were

256 Evans, 1996.
documented in order to provide an addition to the argument that there is limited scope for the creation of meaningful ‘state-society synergies’ in the country.

In addition to the elements of the conceptual framework that discussed the reduced capacities for the creation of successful complementarity and embeddedness between the Greek state and the surrounding socioeconomic environment, I also discussed the theories of Europeanisation and implementation in chapter 2. These provide the second component of the conceptual framework that I employ in the thesis. They are used in order to capture the dynamics of the impact that Europe – through the participation in the EU – has on the domestic structures. In chapter 3, I attempted to operationalise these relationships for Greece by presenting a framework that divides the country’s relationships with the EC/EU in two periods. The first period – before the signing of the SEA – was one of reluctance to accept even the basic requirements that stemmed from participation in the supranational entity. The second is after 1986, when it can be argued that the Greek polity started to become more ‘Europeanised’.

There is little doubt that the introduction of the EURP played a significant role in this process. The introduction of the common regional policy was accompanied by the requirement to integrate the four principles governing its operation into the domestic political and administrative system. This happens through the incorporation of a series of management tools that the recipient countries are required to adopt. These are: programming, project selection, monitoring, evaluation, financial control, performance reserve, information and publicity, as detailed below:\footnote{OIR in association with LRDP and IDOM, 2003.}

- Programming is a management tool as well as one of the four principles and entails the determination of objectives to be achieved and the specific priorities and measures capable of converting these objectives into individual projects. It is conducted at the beginning of a policy cycle (CSF) and involves the identification of developmental needs and challenges -at both regional and sectoral/national levels-, an elaboration of a SWOT (strengths, weaknesses, opportunities and threats) analysis, the ways in which the EU funding will contribute towards the
accomplishment of the developmental strategy, justification for the allocation of the funding, details of the targets to be achieved and relationships of EURP funding with other EU policies.\textsuperscript{259} These are covered in the programme documents which are the CSF, the regional and sectoral OPs and Single Programming Documents (SPD) that include both. Moreover, implementation details at measure level (quantifiable indicators, final beneficiaries and financial allocation) are included in the separate Programme Complement.\textsuperscript{260} This describes both the sectoral and regional OPs and the classification of the funding in these two components of the CSF provides the framework for the financial allocation of the resources.

- Project generation, appraisal and selection enforce the principles of programming, partnership and concentration and entail the selection of the final beneficiaries in accordance with the rules incorporated in those principles. The process also incorporates the tools of information and publicity which aim at the widest possible dissemination of information related to the structural funds, so that the interested stakeholders can be more actively involved. The process involves many steps from informing potential applicants, the organisation of expertise for project appraisal to the final approval of selected projects and the signature of the contract. It necessitates the decision on project selection systems, the preparation of appropriate documents for calls, transparent appraisals, the clear definition of selection criteria and the preparation of templates for applications and contracts.\textsuperscript{261} It must be noted however that this process does not apply to the selection of major projects, which follows different requirements. Detailed information about the nature of the investment, its financial implications and location, a timetable for its implementation and a cost-benefit analysis have to be submitted to and approved by the Commission.\textsuperscript{262}

- Monitoring and reporting are intended to make sure that the projects are implemented in accordance with the strategic priorities outlined in the SPD. They involve regular examination of the resources employed and the outputs achieved,

\begin{flushleft}
\textsuperscript{259}EPRC, 2009.  \\
\textsuperscript{260}OIR in association with LRDP and IDOM, 2003.  \\
\textsuperscript{261}ibid.  \\
\textsuperscript{262}ibid.
\end{flushleft}
using specific reports, reviews and monitoring indicators. They entail the submission of an annual progress report which is published by the Commission following the collection of data by the member states. The latter include information that they have collected by the regional and sectoral OPs. A major innovation in the direction of assisting the process of monitoring was the introduction of electronic data processing systems which were centrally coordinated and required the participation of all the Managing Authorities (MAs). The elaboration of quantifiable indicators that could be used in order to monitor the progress of each action was a challenge for some categories of intervention.\textsuperscript{263} For example, it is not always easy to come up with quantifiable indicators about a project of combating unemployment, whilst it was easier to do that for a project of physical infrastructure. Monitoring takes place at both the strategic level (that of the CSF as a whole), programme level and sub-programme level.

- Evaluation entails the judgment of the programmes against the desired outcomes, using specific criteria collected for the purposes of the process. It has gained increased prominence during the three programming periods and became an integral part of the EURP cycle in the third CSF.\textsuperscript{264} In this period the regulations required that the member states conduct three stages of evaluation; ex-ante, mid-term and ex-post. Ex-ante evaluation is conducted at the programming stage of the policy and involves the structured assessment of the socioeconomic situation of the area where the intervention will take place. The mid-term evaluation is conducted in the middle of the programming period and aims at identifying the extent in which the programme strategy is still relevant in light of the trends that followed the initial phase. Both these stages of evaluation are carried out by the member states and are usually assigned to independent evaluators. Ex-post evaluation is the duty of the Commission in collaboration with the member states and is also assigned to independent evaluators.\textsuperscript{265} The process of evaluation is clearly strongly linked with that of monitoring since it is primarily conducted in accordance to the data collected through the monitoring procedures.

\textsuperscript{263} OIR in association with LRDP and IDOM, 2003; EPRC, 2009.
\textsuperscript{264} Bachtler and Wren, 2006.
\textsuperscript{265} ibid.
• Financial control and management aims at averting practices of corruption and waste and ensuring the application of the principle of additionality. The process of financial control was enhanced in the third CSF probably following the corruption scandals that engulfed the Santer Commission in the late 1990’s as well as broader trends towards the increase in demands for transparency and ‘good governance’. The main instrument in this context is the distinction between commitment and payment for a project. This includes the ‘n+2’ rule that stipulates that the Commission retains the right to de-commit any parts of the commitment not paid by the end of the second year after the original commitment. Broadly speaking the operations relating with financial control became a top priority for the recipient states, which have to follow strict and detailed rules and perform regular ‘audit trials’ in order to enjoy the EURP funding. Financial control and management are closely connected with the operations relating with monitoring and reporting and can take place at project level or at the level of the whole programme. A significant component of financial control and management during the third CSF was the performance reserve. It was introduced in 1999 and aims at improving the efficiency of the programmes through installing elements of competition between the relevant authorities that manage them.

Through the incorporation of these management tools the pressures of Europeanisation become even more evident to the domestic authorities. They entail obvious operational elements which directly challenges domestic operational practices. The impact of the principles and the procedures embedded in them in the domestic political and administrative systems of the recipient countries is filtered through the administrative structures that were set up as part of the EURP. These are the above mentioned Management and Implementation Systems (MIS) and more specifically are the Managing Authorities (MAs), the above-mentioned Monitoring Committees (MCs), the Certifying Authorities (CAs) and the Audit Authorities (AAs). The introduction of the MIS indicates that the Europeanising influences of the EURP take concrete institutional

266 OIR in association with LRDP and IDOM, 2003.
267 EPRC, 2009.
268 EPRC, 2009.
dimensions. They intend to encapsulate the spirit of the four principles and the management tools that were discussed above and -if possible- provide sufficient spillovers to the institutional systems of the countries where they are set up.

These institutions were created with the reform of the Structural Funds regulations in 1999. The Commission does not actively participate in the frontline implementation of the programmes but has delegated this task to the national and local authorities. Those however do not deliver the results; instead, they choose final beneficiaries that produce the end product, whilst in the structure that deals with the implementation there are also the Intermediate Bodies (IBs) that act as intermediaries between the MAs and the MCs on the one hand and the final beneficiaries on the other. The IBs can be either existing organisations – such as banks, local authorities or private consultancies, which undertake projects of this type as part of their broader operation – or organisations created with the explicit aim of participating in the programme.

More specifically, the MAs were created in order to start operating with the third CSF, and although the Commission provides the general regulatory blueprint their final composition is the responsibility of the recipient country. Before that, the existing national and regional authorities were required to implement the programmes, which left the national authorities with an undesirable level of leeway in interpreting the Structural Funds regulations. There is one MA for each OP and one that manages the CSF (CSF MA) as a whole. The delegation of tasks between the CSF MA and the regional and sectoral MAs is not uniform amongst member states and reflects administrative, political and cultural traditions. Also, whether a separate administrative network would be created or the MIS would be integrated in existing administrative systems was left at the behest of the member states. The role of the MAs was specified as mainly consisting of ensuring that the programmes are

---

269 Leonardi, 2005.
270 ibid.
272 Leonardi, 2005.
implemented in accordance with the EURP regulations. In particular, they are responsible for:

- The selection of projects and development of a project plan
- Ensuring that the co-financed products are delivered by the specified time
- Establishing proper computerised systems for the management, monitoring, evaluation and audit of the programmes
- Providing administrative backing and guide the work of the MCs
- Organize the mid-term evaluation of the relevant OP or the programme as a whole in the case of the CSF MA
- Ensuring that the Certifying Authority (CA) receives all the information that it needs in order to carry out its procedures
- Preparing and passing on to the Commission annual implementation reports of the Ops
- Ensuring compliance with other Community policies (environmental, competition etc)

The MCs are also the responsibility of the member states and there is one MC for each OP. They are chaired by a representative of the relevant MA and their main role is the monitoring of the programme. Similarly to the MAs there is one MC for each OP and one for the CSF as a whole. The former are usually manned by around 20 to 30 representatives whilst the latter is much larger, with 100 delegates participating in certain cases. The latter encompasses representatives of national associations representing socioeconomic interests, and a representative from every individual MC. As with the MAs however the exact composition of the MCs is left at the behest of the member states and reflects domestic administrative, political and cultural practices this time relating with the patterns of bottom-up participation of socioeconomic actors in decision making. In terms of decision-making powers they are more important than the MAs and they are the main institutional channel through which the principle of partnership is implemented. Broadly, they have the following tasks:

---

274 Molle, 2008.
275 ibid.
• Consideration and approval of criteria for the selection of the operations
• Periodic review of the progress made towards achieving the objectives
• Examination of the results of implementation, particularly the achievement of the targets for the mid-term evaluation
• Consideration and approval of the MA reports before these are sent to the Commission
• Proposal of adjustments to the programme that could help towards the achievement of the objectives
• Consideration and approval of any proposal for the amendment of the content of the OP

As far as the numbers of IBs participating in each OP are concerned, they may range from ten for small member states to several hundred in the larger ones. They can be divided into ‘first level’ and ‘second level’ IBs depending on their level of participation in the project, whilst ministries or other governmental agencies that manage other OPs can be IBs for a project funded by a different OP.276 For example, a regional authority that runs a regional OP can be an IB for a sectoral OP. They can be bodies that were set up specifically for the purpose of the implementation of a project or be part of the existing institutional network. Again the patterns of this operation differ between member states and reflect domestic administrative, political and cultural practices.

The main function of the CA is to make sure that the expenditure that it authorizes is in conformity with the EURP rules and regulations. It is in direct contact with the Commission in order to ensure that the expenditure is indeed spent on EURP projects and not on other national expenditure. There is usually one CA for the whole CSF. Finally, the AA’s role is to audit the programmes and ensure their sound financial management. It does so by sampling the relevant projects, and there is one relevant service for each OP as well as one that oversees the whole CSF. A basic sketch of the responsibilities and tasks of the major institutions involved in the implementation of the programmes is shown in Table 4.1.

276 ibid.
Table 4.1. Responsibilities and tasks of major institutions involved in the implementation of the EU Cohesion Policy*

<table>
<thead>
<tr>
<th></th>
<th>NSRF MA</th>
<th>OP MA</th>
<th>IB</th>
<th>MC</th>
<th>CA</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creating institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appointing and organising the IB</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organising monitoring committees</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Setting up a management information system</td>
<td>R</td>
<td>R</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Preparation of management guidelines/job aids</td>
<td>R</td>
<td>x</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Training of staff</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Building partnerships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSRF</td>
<td>R</td>
<td>x</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Programming actions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSRF</td>
<td>R</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Managing implementation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creation of a project pipeline</td>
<td>x</td>
<td></td>
<td>R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance and information to applicants</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Setting up a financial and statistical information system</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Check on compliance with community policies</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>x</td>
</tr>
<tr>
<td>Ensuring correctness of operations</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Making adjustments to the programme</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual implementation report</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monitoring progress</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring operations, reporting and corrective actions on operations</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring priority NRSFs, reporting and corrective actions</td>
<td>R</td>
<td>x</td>
<td>R</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring measures/priorities OPs, reporting and corrective actions</td>
<td>x</td>
<td>R</td>
<td>R</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial management and control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certification of expenditure and control</td>
<td>x</td>
<td>x</td>
<td></td>
<td>R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>Internal audit</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Full audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R</td>
<td></td>
</tr>
</tbody>
</table>

Note:  R: responsible; x: contributing

*The table gives only an overview of the main responsibilities of the bodies at the central level, and represents the most common situation. Slight deviations from this common division of tasks and responsibilities are possible for individual member states.

Source: Molle 2008
At this point I return to the issue of the relationships between the conceptual framework of the thesis and the regulatory framework introduced by the Commission to the domestic political and administrative systems. What becomes obvious from the above descriptions is that through the regulations of the EURP there is a mix of public and private organisations participating in the delivery of the final product of either a physical or tacit nature. Hence, the ‘Europeanising’ influence not only manifests itself in the public sector but in the private sector too. In particular, the MAs, the CAs and the AAs are supposed to directly affect the national civil service whilst through the IBs and the final beneficiaries the private companies are also affected. Furthermore, through the MCs the third sector that encompasses organisations of wider civil society is affected. Certainly, the whole network influences each constituting part, since for example one of the main functions of the MAs is the identification of the IBs and the final beneficiaries that will contribute the most to the programme. It is worth considering whether the regulations have had any impact on either state capacity or the quality of public-private interactions in the case of Greece.

It might be expected that in addition to the wider influences exerted by the principles, each of them could have a potential impact on the conduct of domestic authorities and actors. For example, the principle of additionality requires the national MAs to identify national sources of funding before they apply for funding by the Commission. Also, the principle of partnership requires the creation of strong state-society relationships in order to implement each programme. The MAs are required not only to consult but actively to involve socioeconomic actors coming from the civil societies of the respective OPs in both the programming and the implementation stages of a programme. However, as was shown in chapter 3, this has never been achieved in Greece, where the state has struggled to identify proper complementarities with the surrounding civil society and simultaneously embed itself successfully in it. This process, however, is the main requirement imposed by the principle of partnership. The state is meant to have a stronger role in the process since it is the one that chooses the participating partners. Thus it must identify and impose the complementary roles that each stakeholder plays in the process. At the same time, however, the state has to guide the actors representing the civil societies towards the most effective ways of executing the task. The low rates of social capital, however, do not allow the
creation and sustaining of such relationships. Hence, the identification of the final beneficiaries that can contribute productively in a co-financed programme also suffers, and this in turn impedes the application of one of the main elements of the principle of additionality.

Furthermore, the principle of programming requires domestic administrative authorities with strong coordinative capacities. It states that the OPs funded through the CSF need to coordinate their actions in order to pursue their common developmental objectives. These are integrated into multi-annual plans where the problems and the instruments that will be used in order to combat them are identified in great detail. The different agencies that deal with each problem are required to work closely in order to achieve the wider objectives set out in the CSF. As shown in chapter 3, however, the Greek state suffers from a series of weaknesses that primarily manifest themselves in the area of internal coordinative capacities. This is the case firstly in horizontal terms such as the ministries at the national level.

As I will show in the chapters that follow, two of the largest ministries responsible for the developmental policy of the country – Economy and Public Works – have always found it difficult to coordinate their actions. Thus, the existing stock of institutional capacities in terms of the cooperation between national ministries is limited. The problems are more significant, though, in terms of the coordinative capacities between the national and the regional authorities. In chapter 6, the issue of the absence of meaningful decentralisation in Greece will be cited as only one reason behind the limited capabilities of the regional authorities. Therefore, the problems are even more important when it comes to the capacity for coordination between the national and the regional OPs. The same reason will be examined as the main factor impeding the proper application of the principle of partnership. The lack of decentralisation, together with the low levels of social capital, as well as corruption and clientelism from below, has created local civil societies that do not always appreciate the developmental opportunities that accrue from the programmes. Instead they seem to be trying to capture the financial benefits that accrue from these interventions for the achievement of short term objectives.
Moreover, the introduction of stricter rules in terms of the auditing and financial controls of the programme has also had interesting implications. This is exemplified by the introduction in the third CSF of the automatic de-commitment rule or n+2 rule\textsuperscript{277} and a general increased activity in the field of introducing performance and evaluation criteria. The former is exemplified by the above-mentioned performance reserve\textsuperscript{278} which states that unless the recipient country spends the money allocated to it within two years, the unused sum will be held back by the Commission. Furthermore, each regional and sectoral Operational Programme (OP) needs to be evaluated so as to show its developmental contribution. If this does not become clear, the Commission retains the right to use 4\% of the programme to reward other more productive OPs. The introduction of the procedures is a positive step towards both the further political integration of the EU through the strengthening of the Community method. Also, it is important to combat unproductive practices in the member states, albeit by introducing harsh measures. Nonetheless, as will be shown in chapters 5 and 6, it is debatable whether the stricter practices have actually contributed to any improvements in the case of Greece. This is because the regulations were applied in a manner signifying a continuation of the practices identified in chapter 3, rather than in the way intended. This is the result of the excessive legalism and formalism that is a characteristic of the Greek bureaucracy that I discussed in chapter 3. Overall, the chapters that follow will show that the introduction of the MAs and the principles embodied in them has have provided empirical backing in the process of the Europeanisation of the country. Nevertheless, the MAs became embedded in the previously existing administrative structures and were not successful in altering the patterns of state-society interaction as documented in chapter 3.

4.5. Conclusion

This chapter has provided an overview of the development of the EURP and its principal mechanisms. After an analysis of the financial and the political implications of the policy and, in the second section, how these have developed historically, the focus turned on the four principles that govern the operation of the Structural Funds in the third section. The

\textsuperscript{277} Article 31 of EC Council Regulation 1260/1999.

\textsuperscript{278} Article 44 of EC Council Regulation 1260/1999.
implications of the principles of concentration, programming, partnership and additionality were explained. These formulate the regulatory framework for the required implementation at the national and the regional levels. The section after that provided a first attempt to discuss the implications of this regulatory framework in relation to the conceptual framework that I employ in the thesis. After the reform of the Structural Funds in 1999, the Commission introduced separate administrative agencies that would coordinate the actions specified by the regulations. Hence, the implications in relation to the internal and the interactive capacities of the Greek state as discussed in the previous chapters acquired more empirical support. The next chapter attempts to move this discussion by providing more detailed evidence about the manner in which the EURP was implemented in Greece.
Chapter 5. Substantiating the limited coordinating and interactive capacities of the Greek state in the process of the EURP in Greece

5.1. Introduction
In this chapter I attempt to build on the argument that I presented in the previous chapters by elucidating the dynamics of the Greek government’s implementation of the Structural and the Cohesion Funds. The main aim is to substantiate the argument that the implementation of the EURP in Greece has encountered a series of difficulties which did not allow the structural spending to be effectively employed. There have been four programming periods of EURP intervention in the last twenty years. I begin the next section by attempting to place these interventions in the context of the problems they aimed to solve. Thus, the next section outlines the main parameters of the ‘regional problem’ in Greece. This mainly consists of an overconcentration of population and economic activity in and around the metropolitan centres, which creates significant interregional disparities. In the section after that, I discuss the methods that the Greek government employed in order to tackle this problem when the opportunity of the IMPs and the two first rounds of CSFs arose. An analysis of the main problems that have been identified in connection with the implementation of the programmes during these periods is also included in the section. These provided the legacy inherited by the third CSF, the details of which are discussed in the subsequent section. In the penultimate part I attempt to elucidate the main issues that hindered the implementation of the third CSF as they were identified during the fieldwork. The last section concludes.

5.2. The Greek ‘regional problem’
The regional inequalities in Greece do not follow the pattern found in other countries known for their acute interregional disparities. Whereas, for example, one encounters a distinct north-south divide in the UK or the three parts of Italy – northern, central and south – which delineate the interregional disparities that coexist in a country, the situation in Greece is more complex although not unique as France and many Central and Eastern European Countries are facing similar patterns of regional disparities. A series of physical peculiarities have resulted in many areas being remote from the centralised economic
activity, which is heavily concentrated in and around Athens and to a lesser degree Thessaloniki. For example, around half of the national GDP is produced in the region of Attica (48.8%) and another 10% in Thessaloniki, while the two regions host around 46% of the total population.\textsuperscript{279}

There are important historical and geographical factors that have contributed to the creation of this situation.\textsuperscript{280} As far as the former are concerned, the establishment of the capital in the southern part of its territory, which became the most secure part of the country as the northern areas were gradually incorporated, is the first of these. Secondly, after the Asia Minor disaster in 1922, the greatest part of the migrants relocated to Athens. In relation to the geographical factors, Greece is a mountainous island country, which exacerbates the difficulties of connecting its areas. In particular, 34% of the country’s geography is comprised of mountainous areas and 30% is semi-mountainous areas. Additionally, there are around 222 populated islands and more than 400 islands overall.

Both these sets of reasons directly impact upon the domestic economic geography. Transportation and accessibility costs for the areas not belonging to the two major agglomerations have increased. Furthermore, the centripetal forces that created these two agglomerations in the first place seem to have been inexorably consolidated during the last thirty years. The suburbs and satellite cities and regions of Athens and Thessaloniki have increased their importance, and this exacerbates the problem of the unequal distribution of population and economic activity.\textsuperscript{281}

Moreover, Greece suffers from a particularly high degree of peripherality, since until the accession of Bulgaria it had no common borders with its EU counterparts. The relationships that have developed with most of the country’s neighbours (Turkey, FYROM, Albania) have resulted in limited or no economic exchanges with countries of similar socioeconomic development. As a result, the main economic exchanges have developed with the countries of the advanced North, with Greece enjoying limited comparative advantages in that

\textsuperscript{279} Monastiriotis, 2008.
\textsuperscript{280} Petракos and Psycharis, 2004; Monastiriotis, 2007.
\textsuperscript{281} Petракos and Psycharis, 2006.
respect. The transportation costs involved in these interactions are obvious, which means that Greece ends up losing in the competition for the attraction of capital for investment. Even more so, since the lion's share of economic activity is by default concentrated far away from the European core, as the capital is located in the southern part of the country. Likewise, the national products cannot become competitive for countries of the EU core, since other countries can produce similar products with the distributor having to face more competitive prices. Finally, the urban areas in the north have only recently become able to trade with the countries of the former socialist bloc.

These aspects of the domestic economic geography are reflected in the internal regional classification according to the GDP per capita. Overall, according to the principle of concentration the country is divided in 13 NUTS II regions, which can be classified into three categories according to the level of economic development. The regions of Attica, Central Greece and Southern Aegean comprise 43% of the total population and have a GDP per capita higher than the 75% of the EU average. That makes them the richest regions of the country, although it must be pointed out that the fact that they currently exceed the 75% threshold is the result of the statistical impact of the 2004 enlargement on the average EU GDP growth rates.

At the other end of the spectrum are the poorest regions in the country: Western Greece, Epirus, Thessaly and Eastern Macedonia-Thrace account for 22% of the country's population and have a GDP per capita lower than 60% of the EU. Finally, the regions of Central Macedonia, Western Macedonia, Ionian Islands, Peloponnese, Crete and North Aegean comprise a middle category with a GDP per capita between 60%-75% of the EU-15. Some basic quantitative information about the economic and social characteristics of the 13 Greek regions is included in Table 5.1. From this Table the high levels of employment in the agricultural sector are apparent. These are high not only for the country as a whole (16.1%) but also for specific regions (Eastern Macedonia-Thrace with 36.5% and Crete with 34.9% are the highest).
The interregional disparities in the country are more accurately described in Table 5.2. There, an Index that aims at capturing broader determinants of socioeconomic development – the Composite Index of Welfare and Development (CIWD) – is employed concurrently with the GDP measurements. For both these measures the disparities are obvious, with the region of Attiki scoring 74.5 as far as the CIWD is concerned and enjoying 36.7% of the country’s GDP on the one hand, and Epirus scoring 22.2 and 2.47% respectively. At the same time, the same Table indicates the limited convergence that has been achieved between Greece and the core EU-15 countries.

There are two kinds of results that can be drawn from the information presented in these Tables for the country as a whole and for the interregional disparities inside the country. Firstly, the country is still largely dependent on the agricultural sector, unemployment rates are strikingly high and it suffers from certain geographical disadvantages that only exacerbate the structural difficulties. Because of this, in accordance with the principle of concentration Greece was designated an Objective One region from the outset of the policy and has remained so throughout all the ensuing programming periods. This means that her GDP has not increased above the level of 75% of the EU average, which is the threshold for the inclusion of an area in this objective. Secondly, the disparities between the two major urban areas – Athens and Thessaloniki – and the rest of the country are striking. This remains so even after the 2004 and 2007 waves of enlargement, with eight out of thirteen Greek regions belonging to the group of 70 EU-25 regions with a GDP less than the EU average. 282 These two sets of structural weaknesses are what the EURP attempted to combat with its intervention.

---

282 www.hellaskps.gr
### Table 5.1. Economic and social characteristics of the Greek regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Population 2001</th>
<th>Agriculture (%)</th>
<th>Industry (%)</th>
<th>Services (%)</th>
<th>Low (%)</th>
<th>Medium (%)</th>
<th>High (%)</th>
<th>Unemployment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Macedonia Thrace</td>
<td>611,067</td>
<td>35.5</td>
<td>20.0</td>
<td>44.5</td>
<td>62.5</td>
<td>24.9</td>
<td>12.7</td>
<td>10.4</td>
</tr>
<tr>
<td>Central Macedonia</td>
<td>1,874,214</td>
<td>16.2</td>
<td>24.9</td>
<td>58.9</td>
<td>48.4</td>
<td>33.1</td>
<td>18.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Western Macedonia</td>
<td>301,522</td>
<td>20.4</td>
<td>33.5</td>
<td>46.1</td>
<td>58.1</td>
<td>29.2</td>
<td>15.0</td>
<td>14.7</td>
</tr>
<tr>
<td>Thessaly</td>
<td>753,888</td>
<td>29.7</td>
<td>18.8</td>
<td>51.5</td>
<td>58.4</td>
<td>27.0</td>
<td>14.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Epirus</td>
<td>353,820</td>
<td>25.8</td>
<td>21.1</td>
<td>53.1</td>
<td>58.8</td>
<td>26.2</td>
<td>15.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Ionia Islands</td>
<td>212,984</td>
<td>23.2</td>
<td>12.5</td>
<td>64.4</td>
<td>63.1</td>
<td>26.4</td>
<td>10.5</td>
<td>9.0</td>
</tr>
<tr>
<td>Western Greece</td>
<td>740,506</td>
<td>32.8</td>
<td>17.0</td>
<td>50.2</td>
<td>61.1</td>
<td>27.0</td>
<td>11.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Central Greece</td>
<td>605,329</td>
<td>24.8</td>
<td>29.9</td>
<td>45.3</td>
<td>63.1</td>
<td>29.1</td>
<td>7.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Peloponnese</td>
<td>638,942</td>
<td>36.5</td>
<td>15.7</td>
<td>47.8</td>
<td>56.7</td>
<td>31.5</td>
<td>11.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Attica</td>
<td>3,761,810</td>
<td>1.2</td>
<td>24.5</td>
<td>74.3</td>
<td>33.7</td>
<td>43.3</td>
<td>23.0</td>
<td>9.2</td>
</tr>
<tr>
<td>Northern Aegean</td>
<td>206,121</td>
<td>22.4</td>
<td>18.0</td>
<td>59.6</td>
<td>54.7</td>
<td>34.4</td>
<td>10.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Southern Aegean</td>
<td>302,686</td>
<td>7.1</td>
<td>21.8</td>
<td>71.2</td>
<td>59.2</td>
<td>31.5</td>
<td>9.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Crete</td>
<td>601,131</td>
<td>34.9</td>
<td>14.7</td>
<td>50.4</td>
<td>55.5</td>
<td>29.1</td>
<td>15.5</td>
<td>7.7</td>
</tr>
<tr>
<td>ELL</td>
<td>10,964,020</td>
<td>16.1</td>
<td>22.5</td>
<td>61.5</td>
<td>47.3</td>
<td>35.1</td>
<td>17.6</td>
<td>10.0</td>
</tr>
<tr>
<td>EU15</td>
<td>379,604,000</td>
<td>4.0</td>
<td>28.2</td>
<td>67.7</td>
<td>35.4</td>
<td>42.9</td>
<td>21.8</td>
<td>7.8</td>
</tr>
<tr>
<td>EU25</td>
<td>454,349,000</td>
<td>5.4</td>
<td>28.8</td>
<td>65.8</td>
<td>32.6</td>
<td>46.7</td>
<td>20.6</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Table 5.2. Regional Population, GDP per capita and Composite Index of Development (CID) for the NUTS II Regions of Greece

<table>
<thead>
<tr>
<th>Regions (NUTS II)</th>
<th>Regional Population</th>
<th>Regional share of Population</th>
<th>Regional Share of GDP</th>
<th>GDP per capita in PPS EU15=100</th>
<th>Composite Index of Welfare and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-15</td>
<td>22576</td>
<td>100.00</td>
<td>15098</td>
<td>67</td>
<td>100</td>
</tr>
<tr>
<td>Greece</td>
<td>10,964,020</td>
<td>100.00</td>
<td>17046 (3)</td>
<td>76</td>
<td>74.5 (1)</td>
</tr>
<tr>
<td>Attica</td>
<td>3,761,810</td>
<td>34.31</td>
<td>36.96 (1)</td>
<td>17046 (3)</td>
<td>76</td>
</tr>
<tr>
<td>Central Macedonia</td>
<td>1,874,214</td>
<td>17.09</td>
<td>17.18 (2)</td>
<td>15139 (5)</td>
<td>67</td>
</tr>
<tr>
<td>Continental Greece</td>
<td>605,329</td>
<td>5.52</td>
<td>7.28 (3)</td>
<td>17474 (2)</td>
<td>77</td>
</tr>
<tr>
<td>Thessaly</td>
<td>753,888</td>
<td>6.88</td>
<td>6.46 (4)</td>
<td>13832 (8)</td>
<td>61</td>
</tr>
<tr>
<td>Peloponnese</td>
<td>638,942</td>
<td>5.83</td>
<td>5.48 (5)</td>
<td>13010 (9)</td>
<td>58</td>
</tr>
<tr>
<td>Western Greece</td>
<td>740,506</td>
<td>6.75</td>
<td>5.29 (6)</td>
<td>11379 (12)</td>
<td>50</td>
</tr>
<tr>
<td>Crete</td>
<td>601,131</td>
<td>5.48</td>
<td>5.25 (7)</td>
<td>14781 (6)</td>
<td>66</td>
</tr>
<tr>
<td>Eastern Macedonia-Thrace</td>
<td>611,067</td>
<td>5.57</td>
<td>4.34 (8)</td>
<td>12250 (11)</td>
<td>54</td>
</tr>
<tr>
<td>Southern Aegean</td>
<td>302,686</td>
<td>2.76</td>
<td>3.05 (9)</td>
<td>17790 (1)</td>
<td>79</td>
</tr>
<tr>
<td>Western Macedonia</td>
<td>301,522</td>
<td>2.75</td>
<td>2.91 (10)</td>
<td>15226 (4)</td>
<td>67</td>
</tr>
<tr>
<td>Epirus</td>
<td>353,820</td>
<td>3.23</td>
<td>2.47 (11)</td>
<td>10474 (13)</td>
<td>46</td>
</tr>
<tr>
<td>Northern Aegean</td>
<td>206,121</td>
<td>1.88</td>
<td>1.67 (12)</td>
<td>14563 (7)</td>
<td>65</td>
</tr>
<tr>
<td>Ionian Islands</td>
<td>212,984</td>
<td>1.94</td>
<td>1.67 (13)</td>
<td>12956 (10)</td>
<td>57</td>
</tr>
<tr>
<td>Max/min</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Petrakos and Psycharis, 2006
5.3. The IMPs, the first two CSFs and their legacy for the third CSF

After 1986 the Greek attempts to reduce the geographical economic disparities became fully incorporated in the emerging EURP. Since the inception of the IMPs and continuing with the CSFs, the EURP has been providing the sole avenue for the implementation of a developmental policy in the country. In 1986 the implementation of the first IMPs was initiated, which lasted until 1992. It entailed initially six and then thirteen regional IMPs and one national IMP, and the EC provided 2 billion ECU to the Greek authorities. The principle of additionality was initiated with the IMPs; consequently the domestic authorities were required to provide an additional 1.2 billion ECU that would arrive from the Greek national budget. The financial inputs of both the Community and the Greek government would be channelled through the Greek Public Investment Programme (PIP), which in the past had been used in order to cover the expenditure of the Ministry of Economy for the financing of all public works. The Commission expenditure would be released only after the national contribution had been secured. The programmes comprised projects for the enhancement of physical infrastructure, the support of the agricultural sector and the training of the personnel of the public administration. In particular, the bulk of the finances were directed towards the construction of some local road networks and the creation of sewage systems, although some ‘soft’ interventions – such as the enhancement of Research and Development activities – were also included.

The IMPs were experimental, and the national legislation that governed their practice was not very different from the pre-existing framework regulating the finance of ERDF projects. There were some innovations such as the introduction of the multi-annual programming periods and of mechanisms for the evaluation and monitoring of the projects, although these were not applied systematically throughout the programming period. Nonetheless, their general impact on the processes followed was negligible, and in terms of their implementation patterns they set the tone for what was to follow after the introduction of the CSFs.

283 Interview C-1; Petrakos and Psycharis, 2004.
Specifically, the rates of absorption for the period between 1987-89 were only 23%.\textsuperscript{284} However, at the end of the programme the rates of absorption were satisfactory as they reached 91\% in 1992.\textsuperscript{285} The domestic authorities managed to achieve this result by effectively ignoring the requirement to provide integrated programmes and by significantly distorting all the initial objectives.\textsuperscript{286} The funds were dispersed across numerous minor projects with insignificant developmental implications. There were constant modifications of the initially agreed programmes in order to satisfy the pressures for the inclusion of individual beneficiaries in the projects undertaken.

Consequently, the view of incomplete works became the norm in the Greek countryside, with buildings that would support actions not only for the enhancement of the physical infrastructure but also the enhancement of the productive base of the regions being started but never finished. In that way the beneficiaries could take the money that was supposed to come from the IMPs without providing their own part for the completion of the project. By doing so, of course, they inadvertently provided parts of what was to be implemented via the first CSF, since it was easier to include projects that were already semi-completed in the programming of the new funding.

The overall situation regarding the patterns of implementation of the IMPs was mainly the result of weak enforcement in the monitoring procedures and the auditing of the programmes, and this allowed the clientelistic interchange between the political authorities – especially at the local level – and the patrons.\textsuperscript{287} The former would provide finances for the implementation of projects to the latter and in return they would receive votes. Certainly, this was not a new state of affairs. Even before the introduction of the IMPs the finances that would become available through the PIP at the regional level would be distributed in accordance with this mechanism.\textsuperscript{288} Consequently, the projects included in the PIP would be far more than what the national economy could afford to finance and they

\textsuperscript{284} Lalioti, 2002.
\textsuperscript{285} Georgiou, 1994a.
\textsuperscript{286} ibid.
\textsuperscript{287} ibid.
\textsuperscript{288} Chlepas, 1999; Mousouroulis, 2010.
were not integrated in any broader developmental plan. Therefore, any developmental mechanism would almost inevitably be used as a means of ensuring political support.

The first reform of the Structural Funds in 1988 reinforced the importance of pursuing equitable distribution of regional economic growth as a counterbalance to the opening of the Common Market by 1992. For the first time, the countries that were to receive the funding – and in particular their sub-national authorities – would become actively involved in the policy process. The institutionalisation of the principles of partnership and programming meant that the countries had to submit comprehensive long term plans for the promotion of national and regional economic development to the Community before receiving any funding. This would provide not only the national but also the sub-national authorities – both at the regional and the local levels – with the opportunity to mobilise in the direction of developing their own localities. In this manner not only state but also non-state actors coming from civil society would be able to design, implement and monitor the progress of the developmental projects related to their areas.

Significantly, with the reform of 1988 the amount of funds available for the purposes of the EURP increased substantially. The total amount devoted to Greece for the first CSF came to 15.4 billion ECU in 1994 prices. After the inception of the first CSF, the country internalized the EURP in the domestic politico economic process. The ‘Five Year Plan for the Economic and Social Development’ that was designed for the 1988-92 period was redrafted and submitted to the Commission as the basis of the negotiations for what was to become the first Community Support Framework (CSF) for the 1989-93 period. According to one estimate, since 1989 Greece has been receiving annually around 3% of its GDP in the form of EURP assistance. This is a significant sum, which has provided substantial developmental inputs in the economy. This is the case especially in relation with domestic investments in transport infrastructure which is an area where the country has

---

traditionally lagged behind. In this area EU funding has substantially added in national investments.\textsuperscript{292}

The principle of programming stipulated that the projects financed via the Structural Funds were to be divided between the regional and sectoral components. The former relate to each of the 13 regions of the country, whilst the latter include interventions that aim at the enhancement of specific sectors of economic and social activity and are applied to the whole country. As a result, the country was divided into 13 administrative areas, each of which had to submit an application for inclusion in the national Regional Development Plan (RDP). The aggregate result produced by the RDPs would become the first CSF.

The number of specific interventions financed via the sectoral sections of the first CSF reached 30. These included: the improvement of the basic infrastructure (transport, communications, research and technology, environment), the development of the agricultural sector, increase in the competitiveness of enterprises, sustainable development of tourism and the development of human resources. In order to implement the programmes, the national authorities designed 13 regional OPs and around 30 sectoral OPs.

The first CSF was a novel experience for Greece. It was the first time the country had been involved in such a large-scale programme, whilst the active involvement of the Community authorities placed significant constraints on the way the public administration operated. In particular, there had never been a broader economic development plan that involved the breaking down of resources into specific regional and sectoral objectives. The initiation of the first CSF brought about a new ‘policy environment’\textsuperscript{293} which required not only the participation of different levels of government but also the inclusion of social actors that had never participated in similar ways in the past.

The main objective became the enhancement of the physical infrastructure of the country, which lagged behind the level of infrastructure of countries with a similar level of industrial

\textsuperscript{292} CEC, 2010.
\textsuperscript{293} Paraskevopoulou, 2005.
development. The country’s physical fragmentation imposed significant constraints in the implementation of the first CSF. For this reason the finances were dispersed into small infrastructure works that mainly covered areas outside the capital Athens. The large bulk of resources covered a great number of small projects, which had small developmental effects.\footnote{Economou, 1997; Simitis, 2005.} At the conclusion of the first CSF, the projects that had aimed at the improvement of the physical infrastructure ended up being small scale interventions like provincial road networks, irrigation works, sewage systems and small projects in the urban areas.\footnote{Konsolas et al., 2002.} The industrial sector and indeed the private sector in general, which could improve the competitiveness of the country, were not seen as priorities at that stage.\footnote{Getimis and Economou, 1996.}

Overall, the implementation patterns of the first CSF seem to have continued on the path set by the IMPs and to have provided a precedent for the next two CSFs. The difference between the former and the latter was that the Europeanising impetus was much stronger after the reform of the Structural Funds and the imposition of the earlier mentioned principles. In particular, the principle of programming was hardly justified, since the OPs basically ended up being lists of projects that were almost unrelated.\footnote{ibid.} Most of these projects were again selected according to the criterion of justifying the clientelistic interchange between the central and local politicians.\footnote{Getimis and Economou, 1996; Simitis, 2005; Mousouroulis, 2010.} Moreover, yet again similarly to the IMP’s, the majority of the projects were left incomplete.\footnote{Getimis and Economou, 1996; Simitis, 2005; Mousouroulis, 2010.}

This happened because in the majority of the projects the projected costs as calculated at the stage of the design of the plan turned out to be wrong during the implementation.\footnote{Getimis and Economou, 1996.} In particular, at the bidding process, the beneficiaries would deliberately underestimate the projected costs of the project so that they could benefit from the funding. Given that the authorities who were supposed to estimate the financial details of each bid were primarily interested in spending the available money and did not examine the financial viability of the
bidder, the beneficiary would receive the Commission’s contribution.\footnote{Mousouroulis, 2010.} However, during the construction of the project the beneficiary would run out of funds so the project would be left incomplete.

As it is difficult to make accurate estimations about the projects that were left unfinished, it is probably enough to quote the then Secretary General of the Ministry of the National Economy who was responsible for the EU programmes, who reported that the majority of the projects financed by the first CSF remained incomplete.\footnote{Economou, 1997.} In terms of the road networks, only 60 km of main roads were produced by the end of 1993.\footnote{Simitis, 2005.} The constant modifications of the initial plans again became an integral part of the implementation of the programmes in order to achieve better rates of absorption. On the whole, the amount of funds spent compared with the total allocations was not unsatisfactory, as it reached 84%, better than Italy for example which only achieved 73% over the same period.\footnote{Milio, 2007.} As was the case with the IMPs, however, this was achieved by hastening the rates of absorption during the last stages of the programme and by including projects that did not contribute to the initially decided developmental objectives.

Nevertheless, the most serious issue was the difficulty that the regional OPs faced at the implementation stage. Even though half of the first CSF was devoted to the regional OPs – 40% was the initial appropriation, which reached 50% of the total budget at the end of the programme – there was hardly any alleviation of regional disparities.\footnote{Petrakos and Psycharis, 2004.} If anything, there was a slight increase in regional disparities as measured by the GDP in the country during the same period.\footnote{CEC, 1997.} The negligible impact of the regional OPs in the decrease of regional inequalities must have been affected by the fact that in order to artificially increase the rates of absorption, the domestic authorities reverted to the method of redeploying to the sectoral OPs funds that had been left over from the regional ones.\footnote{Economou, 1997.} These related to very small
scale projects, and exacerbated the problem of the dispersion of the projects that was mentioned above.

Therefore, since the inception of the first CSF there has been a neglect of the need to address the ‘regional problem’ of the country and there has been more focus on addressing the issues of backwardness that had been identified at the national level. The EURP was used in Greece more as a national developmental policy rather than as a regional one. The political priority of entering the EMU, and also the previous inadequate institutional responses to the issue of regional inequalities, provided the impetus to employ the finances at the central level. Thus, the potential to achieve the convergence criteria by simultaneously decreasing the inequalities amongst the localities of the country was ignored. This is indicated in quantitative terms by the share of the total support that was diverted to the sectoral OPs, which according to one estimate\textsuperscript{308} was 62\% in the first CSF, rose to 68\% in the second and remained at around 67\% in the third programming period. It must be noted however that the exact estimations of the percentages that the sectoral and the regional components received is not feasible. Different studies employ different methods of estimating these percentages, hence in the following sections I might provide slightly different estimations.

To be sure, there is nothing inherently negative in employing the funds arriving through the EURP as promoters of national socioeconomic upgrading. Indeed, this is part of the logic of the intervention attempted through the sectoral OPs. However, the redirection of the funds from regional to sectoral programmes was exclusively motivated by the need to absorb the funds by the required time and avoid any sanctions by the Commission.\textsuperscript{309} That is to say, there would be nothing wrong if the domestic authorities were to attempt to increase the productive capabilities of the Greek economy by pursuing a national strategy based on the EURP funding. However, this was never explicitly stated –because it would be against the regulations of the Structural Funds – but that is what has happened because of the difficulties in absorbing the funds devoted to the regional OPs.

\textsuperscript{308} Lolos, 2009.
\textsuperscript{309} Mousouroulis, 2010.
The pattern of assigning more importance to the accomplishment of the convergence criteria, hence the financial priority in the national section of the CSF, remained a characteristic of the second CSF that started in 1994 and lasted until 1999. In fact, at the end of the programme, the national component ended up absorbing an even larger part of the total expenditure – 75% as opposed to 25% of the regional component. Furthermore, the initiation of the second programming period marked the launch of the finances from the Cohesion Fund. Together, the Structural and the Cohesion Funds contributed 32.78 billion ECUS to the Greek economy. This represents an almost doubling of the resources that became available, as can be seen in Table 5.3 – which only shows the funding that arrived from the CSFs. In this Table the per capita spending of regional programmes for the three CSFs is shown for each of the 13 Greek regions. Despite the increase in the funds that became available, however, the hierarchy of the Greek regions with respect to resource allocation – as presented in the brackets – did not alter significantly. What becomes clear from the Table is that although the per capita spending increased during this period, the ways in which the funds were distributed amongst the country’s regions stayed the same. Therefore, the priorities of the Greek authorities concerning the regional imbalances did not alter.

Table 5.3. 1	extsuperscript{st}, 2	extsuperscript{nd} and 3	extsuperscript{rd} CSF per capita spending (in ECU)

<table>
<thead>
<tr>
<th>Region</th>
<th>1	extsuperscript{st} CSF</th>
<th>2	extsuperscript{nd} CSF</th>
<th>3	extsuperscript{rd} CSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Macedonia and Thrace</td>
<td>551 (1	extsuperscript{st})</td>
<td>1,156 (4	extsuperscript{th})</td>
<td>1,629 (5	extsuperscript{th})</td>
</tr>
<tr>
<td>Central Macedonia</td>
<td>215 (11	extsuperscript{th})</td>
<td>459 (12	extsuperscript{th})</td>
<td>655 (12	extsuperscript{th})</td>
</tr>
<tr>
<td>Western Macedonia</td>
<td>362 (6	extsuperscript{th})</td>
<td>986 (5	extsuperscript{th})</td>
<td>1,726 (3	extsuperscript{rd})</td>
</tr>
<tr>
<td>Epirus</td>
<td>383 (5	extsuperscript{th})</td>
<td>932 (6	extsuperscript{th})</td>
<td>1,765 (2	extsuperscript{nd})</td>
</tr>
<tr>
<td>Thessaly</td>
<td>289 (9	extsuperscript{th})</td>
<td>685 (9	extsuperscript{th})</td>
<td>990 (9	extsuperscript{th})</td>
</tr>
<tr>
<td>Western Greece</td>
<td>206 (12	extsuperscript{th})</td>
<td>573(11	extsuperscript{th})</td>
<td>926 (11	extsuperscript{th})</td>
</tr>
<tr>
<td>Continental Greece</td>
<td>342 (7	extsuperscript{th})</td>
<td>857 (7	extsuperscript{th})</td>
<td>1,132 (8	extsuperscript{th})</td>
</tr>
<tr>
<td>Attica</td>
<td>114 (13	extsuperscript{th})</td>
<td>259 (13	extsuperscript{th})</td>
<td>399 (13	extsuperscript{th})</td>
</tr>
<tr>
<td>Peloponnese</td>
<td>237 (10	extsuperscript{th})</td>
<td>629 (10	extsuperscript{th})</td>
<td>937 (10	extsuperscript{th})</td>
</tr>
<tr>
<td>Ionian Islands</td>
<td>475 (2	extsuperscript{nd})</td>
<td>1,194 (2	extsuperscript{nd})</td>
<td>1,577 (6	extsuperscript{th})</td>
</tr>
<tr>
<td>North Aegean</td>
<td>467 (3	extsuperscript{rd})</td>
<td>1,481 (1	extsuperscript{st})</td>
<td>2,361 (1	extsuperscript{st})</td>
</tr>
<tr>
<td>Southern Aegean</td>
<td>385 (4	extsuperscript{th})</td>
<td>1,159 (3	extsuperscript{rd})</td>
<td>1,702 (4	extsuperscript{th})</td>
</tr>
<tr>
<td>Crete</td>
<td>305 (8	extsuperscript{th})</td>
<td>775 (8	extsuperscript{th})</td>
<td>1,158 (7	extsuperscript{th})</td>
</tr>
<tr>
<td>National Average</td>
<td>240</td>
<td>581</td>
<td>921</td>
</tr>
</tbody>
</table>


If the convergence criteria imposed certain limits on the capacity of the Greek authorities to implement the second CSF in a more redistributive manner, the situation was more straightforward with the Cohesion Fund. The reduction of the national budget deficits was the main precondition for any country to receive funding from the Fund, as decided at the EC Summit in Edinburgh in 1992. The main aim of the Cohesion Fund was to provide assistance to the four poorest countries – Greece, Ireland, Portugal, and Spain – to enter the EMU. Certainly, the national spending of the cohesion funding would have regional significance since approximately 2,688 out of the total 6,670 billion drachmas would be allocated to the thirteen regions.\(^{311}\) The Cohesion Fund was not incorporated into the Structural Funds; rather, it was designed as an additional instrument for the financing of projects mainly related to physical infrastructure and the environment. During the 1994-99 period, the Cohesion Fund approved the co-financing of 174 projects, of which 129 were environmental, 44 for transportation and one project for technical assistance.\(^{312}\)

To return to the second CSF, the length of the programme increased and it would last for six years, whilst the sectoral component now comprised 17 OPs and the regional had 13. Also, for the first time there was a separate OP for Technical Assistance. The responsibility for the Olympic Games in 2004 contributed significantly to the focus turning towards the enhancement of the infrastructures of the already congested capital city. Several projects that were part of the package submitted to the Olympic Committee in the preparation for the bid for the games were included in the second CSF. Therefore, not only the alleviation of the environmental and traffic problems that Athens was facing but also infrastructural projects such as stadiums and other athletic areas received substantial funding from the second CSF.

The main aim pursued through the second CSF was a reduction in the geographical marginalisation of the country and the promotion of big infrastructure networks that would allow the country to integrate with its neighbours. This objective would absorb 27.8% of the total finances whilst 25.3% would be directed towards the objective of developing the

\(^{311}\) Featherstone and Yannopoulos, 1995.
\(^{312}\) www.hellaskps.gr.
competitiveness of private enterprises. Two other objectives, those of the improvement of the quality of life and the enhancement of the employment prospects of the population, would receive 9% and 12.5% respectively from the total funds. As mentioned above, the remaining 25% would be directed towards the regional operational programmes with the explicit aim of reducing not only the interregional disparities but also the isolation of the islands. It has become clear that in relation to the contents of the OPs, the priorities pursued through the second CSF remained basically unchanged when compared to the first CSF, albeit the finances increased substantially. This picture emerges more clearly from Table 5.6, which shows the evolution of the financial allocations for each category of intervention for the IMPs and the three CSFs. There, it can be seen that the largest part of the programmes was diverted to the basic transport, social and environmental infrastructures. Transport infrastructure in particular was clearly receiving the lion’s share of the funding.

The redirection of resources from OPs that would not achieve the desired absorption rates to those with better rates of absorption again became a characteristic of the implementation patterns of the second CSF. Admittedly, these practices were followed to a lesser extent when compared to the first CSF. This was mainly because the new regulations did not allow extensive use of these practices. There was a clear change in the priorities of the Commission in that period towards strengthening the procedures that would improve transparency and avoid financial waste. Nevertheless, the dispersion of resources into small scale projects of physical infrastructure at the expense of the ‘soft’ actions was not averted. The difficulty in the implementation of actions that aimed at upgrading the skills of the population was consolidated in this period, and as will be shown in the part that deals in detail with the problems of the implementation of the third CSF, it continued in the next programming period. Moreover, there were problems in the implementation of physical infrastructure projects mainly because there were discrepancies between the requirements of these projects and environmental legislation. In some cases these projects would have to be built in conservation areas, and such actions would be opposed by the Commission and the Greek Council of State, which is a branch of the judiciary that among others deals

314 Simitis, 2005.
with issues of environmental legislation. Overall, the implementation rate was 73% for the 1994-99 period, considerably lower than the previous one. \(^{315}\) As I will show in the section that deals with the third CSF, a substantial number of projects were carried through as ‘bridge projects’ \(^{316}\) during the third programming period. This method was followed in order to avoid more significant forfeiting of the funds.

On a more positive note however, in the second CSF there was a much better deployment of resources in the field of the large scale projects of physical infrastructure largely as a result of the deployment of Public Private Initiatives (PPIs) as a novel method of co-financing \(^{317}\) The construction of large motorways such as PATHE (Patras, Athens, Thessaloniki Evzoni), Attiki Odos, and the Egnatia Motorway, and also the new El. Venizelos airport, the Athens Metro and the Rio Antirio bridge started during the second CSF. To be sure, most of those projects had already been included in previous development plans, some even dating back to the 1960s. \(^{318}\) Nevertheless, the Olympic Games, the insistence of the newly elected modernising wing of PASOK on tangible aspects of efficiency, and the pressure of the Commission seem to have contributed to the completion of the projects. There is little doubt that these projects modernised the country and provided it with a first-class physical infrastructure. For example, the Egnatia Odos project has helped to reduce the time needed to travel between the port of Igoumenitsa and the border with Turkey from over 11 hours to 6. Moreover it brought isolated regions like Epirus and Western Macedonia closer to the rest of the country. \(^{319}\)

Nevertheless, this project was probably the exception in benefiting the Greek regions as most projects were constructed in and around the city of Athens so as to assist the successful carrying out of the 2004 Olympic Games. Hence, they seem to have exacerbated the problem of the concentration of activity in and around the already congested area of Athens, with the population and economic activity of this area increasing even more in the

\(^{315}\) Milio, 2007.
\(^{316}\) Projects that were started in one programming period but because they were not completed they would continue in the next one.
\(^{317}\) Simitis, 2005; Paraskevopoulos, 2005.
\(^{318}\) Kontogiorgis, 2007.
\(^{319}\) CEC, 2010.
period leading to the 2004 Olympic Games as a result. In addition, there does not seem to have been a plan that included these projects in a broader programme of balanced socioeconomic development. Rather, they seem to have been motivated by the PASOK government's need to improve the Greek citizens’ ‘everyday’ quality of life. Admittedly, not all these projects finished on time at the end of the second CSF; the majority continued as ‘bridge’ projects in the third CSF and were mostly completed just in time for the Olympic Games in August 2004.

Finally, in relation to the practicalities of implementing the second CSF in Greece it is worth pointing out the case of ‘kthmatologio’, which is the Greek cadastre or Land Registry. Greece is possibly the only country in the EU-15 that does not have a proper system for registering all the land encompassed in its territory. This means there are still areas in which the ownership of land is undefined and two or more individuals can claim ownership of the same section of property. After repeated attempts in the past, the Simitis government decided to go ahead with the implementation of this large scale programme. The result was an unmitigated disaster, since the executives of the state enterprise established to oversee the programme were accused of extensive corruption. All of them were appointed by the central Government and they were accused of stealing around €110 million. As a result of the legal intervention the project collapsed and the government returned funding earmarked for that purpose to the Commission. This followed on the spot controls conducted by the Commission in 2003 which decided that only 7% of the total land was registered by that time. The programme was revived by the ND government in 2004 and is still ongoing. This time however there is no contribution of finances by the Commission and the programme is wholly financed by national resources.

The current section identified the basic parameters of the first three programming periods of EURP as well as the main difficulties that the implementation of the programmes encountered in this period. A tentative conclusion as far as the programming stage is

---

320 CEC, 2010.
321 eleytherotypia, 8 April 2009.
concerned is that the developmental priorities that were to be pursued by each programme remained more or less unchanged and reflected the growing structural weaknesses of the Greek economy as identified in section 5.1. The sectoral parts of the programmes absorbed the available funds much more easily, which motivated the domestic authorities to redirect funding from the regional to the sectoral OPs. After the initiation of the second CSF, the EURP became almost identified with a national strategy for upgrading the domestic structures. The Olympic Games and the efforts to achieve the convergence criteria provided a further incentive for this process. The relatively successful Olympic Games and the modernisation of the capital’s infrastructure are largely the result of these efforts. Simultaneously, there have also been a few examples of mismanagement. These patterns provided the legacy, on which the third CSF would build, the details of which I now discuss.

5.4. The third CSF

The third CSF comprised 24 OPs, 11 of which were sectoral whilst the regional remained 13. There was also a separate OP comprising Technical Assistance. In total, the finances that became available for the operation of the programmes were €48.3 billion from both the Structural and the Cohesion Funds, which represented significant increases in comparison with the two previous CSFs and the IMPs. Table 5.4 shows the total finances as they originated from the Community, the national level and the private contributions. From this Table, it can be inferred that the finances continued to increase and in the third CSF the country managed to finance what was undoubtedly the most ambitious developmental programme in its history.

The third CSF entailed seven priority axes that were pursued through the regional and the sectoral OPs. The sectoral OPs again received the majority of the funding. In terms of their financial significance, there was an obvious emphasis on the improvement of the transportation networks (28.8%), whilst the aim of improving the competitiveness of the labour force would absorb 14.5% of the total funds. The priority of the enhancement of the human resources and the employability of the labour force would absorb 10.7% with the promotion of rural development and fisheries, the improvement of the quality of life and
the advancement of the information society absorbing the rest of the funds. As in the second CSF, the priority of the promotion of equitable regional development would absorb almost 26% of the available funding. What becomes obvious is that although the priority axes have changed in comparison with the previous programming periods, the objective of the enhancement of the physical infrastructure – in this case the transportation networks – remained the basic priority in the third CSF as well. A major change however was the inclusion of a separate priority axis for the ‘Information Society’, which indicates a concern that the country is lagging behind in terms of the new technologies as well as an increased concern on the part of the Commission about these issues.

Furthermore, there was a renewed interest in the educational and social infrastructures, through which the main structural problem of the Greek economy would be addressed. Nevertheless, the ‘hard’ infrastructure once again took the lion’s share of the funding. This becomes clearer from Table 5.6 which shows that this particular sector of intervention benefited from 31% of the total finances following 13%, 28% and 26% for the IMPs, the first CSF and the second CSF respectively. Another estimate\(^{324}\) puts the percentage received by such actions at around 40% of the sectoral OPs, whilst one needs to add the similar actions included in the regional OPs. In short, the enhancement of the physical infrastructure remained the most important priority funded through all three programming periods in Greece. One would expect that at least after the first two rounds of CSF these issues would have been solved and there would be more emphasis on the enhancement of productive capacities. The relative neglect of the ‘soft’ actions is further indicated by the low percentages that were committed to ‘Research and Development’ (2%). The environmental infrastructures continued to receive less funding, following the trend established in the second CSF when the proportion fell to 8% from 20% in the first CSF.

\(^{324}\) Lolos, 2009.
### Table 5.4. Financial Tables of co-financed development programmes in Greece 1986-2006 (according to the initial EC approvals)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget</td>
<td>2,101,933</td>
<td>14,342,054</td>
<td>29,721,300</td>
<td>44,363,540</td>
</tr>
<tr>
<td>National Public Participation</td>
<td>695,740</td>
<td>5,802,196</td>
<td>7,069,900</td>
<td>11,126,075</td>
</tr>
<tr>
<td>Community Participation</td>
<td>2,576,000</td>
<td>7,193,241</td>
<td>13,980,000</td>
<td>22,707,000</td>
</tr>
<tr>
<td>Private Participation</td>
<td>210,193</td>
<td>1,346,617</td>
<td>8,671,400</td>
<td>10,730,465</td>
</tr>
</tbody>
</table>

*After 1989 the IMPs were incorporated into CSF I

Source: www.hellaskps.gr

### Table 5.5. Finances approved by the Commission at the beginning of each programming period

<table>
<thead>
<tr>
<th></th>
<th>CSF 2000-2006</th>
<th>Cohesion Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Participation</td>
<td>22.70</td>
<td>3.24</td>
<td>25.94</td>
</tr>
<tr>
<td>National Participation</td>
<td>9.72</td>
<td>2.01</td>
<td>11.73</td>
</tr>
<tr>
<td>Total Public Expenditure</td>
<td>32.42</td>
<td>5.25</td>
<td>37.67</td>
</tr>
<tr>
<td>Private Participation</td>
<td>9.53</td>
<td>1.10</td>
<td>10.63</td>
</tr>
<tr>
<td>Total</td>
<td>41.95</td>
<td>6.35</td>
<td>48.30</td>
</tr>
</tbody>
</table>

Source: www.hellaskps.gr

### Table 5.6. The Evolution of Financial Allocations (%) by Category of Intervention

<table>
<thead>
<tr>
<th></th>
<th>IMPs</th>
<th>CSF I</th>
<th>CSF II</th>
<th>CSF III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport Infrastructure</td>
<td>13</td>
<td>28</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Social and Educational Infrastructure</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Environmental Infrastructure</td>
<td>6</td>
<td>20</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Industry (incentives, services, infrastructure)</td>
<td>33</td>
<td>4</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Tourism (incentives, services, infrastructure)</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Agriculture and Fisheries</td>
<td>18</td>
<td>4</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Research and Development</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Human Resources</td>
<td>9</td>
<td>18</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>5</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>EAPTA &amp; disadvantaged areas</td>
<td>15</td>
<td>14</td>
<td>20</td>
<td>9</td>
</tr>
</tbody>
</table>

The percentage of EAPTA & disadvantaged areas is not included in the total because it contains actions already covered by other categories.

Source: processed data from the official financial tables of the programmes. Available at Plaskovitis, 2008.
Apart from the financial alterations, however, there have been significant changes in the regulatory framework that governs the activities of the third CSF in Greece, which affected the potential for diffusion of the ‘added value’ of the policy in the domestic administrative and management practices. The reform of the regulations of the Structural Funds\textsuperscript{325} entailed important institutional changes, which are discussed at greater length in chapter 6. Nonetheless, the new regulations also had significant operational repercussions which are more pertinent for the analysis presented in this chapter. The new regulations attempted to promote the reformulation of the principles of partnership and additionality between the Commission and the member states. The main aim was the handover of greater responsibility to the recipient countries as far as the initial policy stages –that of programming- were concerned. This process would limit the scope of programme negotiations largely to priority level.\textsuperscript{326} Most importantly the reforms aimed at clarifying the levels of responsibility in connection with the financial management of the funds.\textsuperscript{327} Therefore, the Greek authorities would have to play a more active role in the programming of the regional and sectoral OPs that would comprise the CSF. The Commission would retain a non-interventionist role at these stages, expecting the national Governments to ‘express more leadership in defining the development priorities of their country.’\textsuperscript{328} However, the Commission retained the right to intervene more proactively at the stages of the implementation of the policy.

As far as the stage of the implementation of the policy was concerned, the regulations introduced more stringent obligations on the member states.\textsuperscript{329} These applied to: reporting and specifically the obligation to submit an annual report on the progress of the programme; monitoring and the obligation to submit to the Commission the details of each OP as a separate Planning Supplement (PS) that would include performance indicators for every project, ex ante evaluations and technical reports that would ensure the compatibility between the stated aims of the OP and the ongoing results; evaluation (each OP would have to undertake a mid-term evaluation and an update of this every two years). Most

\begin{footnotesize}
\begin{itemize}
\item [325] Council Regulation 1260/1999.
\item [326] EPRC, 2009.
\item [327] Interview E-5.
\item [328] Interview E-5.
\item [329] ibid.
\end{itemize}
\end{footnotesize}
importantly, those changes aimed at affecting the process of expenditure management and financial control. The former was exemplified through the introduction of the ‘n+2’ automatic decommitment rule, which meant that if the domestic authorities had not absorbed the funds available for a project two years after the time stipulated by the initial OP, the funds would be lost. Moreover, there was the introduction of the performance reserve that aimed at instilling a sense of competition amongst the OPs and would be awarded following the mid-term review. In short, that entailed the awarding of further funding to the best performing OPs that would be redirected by the less effective ones. Finally, financial control was intensified with the introduction of new requirements on management and control systems and an intensification of audit.

These changes suggest a general trend towards the strengthening of the procedures for the monitoring and evaluation of the projects that comprise the OPs. Where in the previous programming periods these processes were more lenient – possibly reflecting the need to allow some time to the domestic authorities to get to grips with the demands of the EURP – now the approach has become stricter. This regulatory framework imposed some strict constraints on the domestic authorities which might have exacerbated the problems they had encountered in the previous programming periods. These were the general parameters of the regulatory framework that was introduced in the third CSF in all the recipient countries. It is now time to examine how it was applied in the case of Greece. We start this process in the next section by identifying the main issues that were presented as problems in the attempt to improve the developmental impact of the third CSF.

5.5. The difficulties with the implementation of the third CSF
As was established earlier, the previous CSFs and the IMPs were characterised by significant difficulties and delays by the domestic authorities in absorbing the funds. The picture was similar for the third CSF as well whilst the problems that have contributed to this situation were also similar. In particular, there was a general ‘anxiety’\textsuperscript{330} in the domestic authorities because of a lack of ‘mature’ projects that could be incorporated in the

\textsuperscript{330} Mousouroulis, 2010.
OPs and would be in accordance to the EURP regulations. As a Commission employee\textsuperscript{331} put it, it constantly seemed that there were never enough projects for the available money.

This situation required the relevant authorities to constantly reorganise the CSFs and hence the OPs so as to avoid losing the funds. That led to extensions in the implementation of the programmes, which can explain why each CSF would finish at least three to four years after the stated date of completion.

The rates of the absorption of the funds of the third CSF could provide evidence for these difficulties. According to the official announcements by the Ministry of Economy, in March 2004 the absorption rate for the third CSF was 23\%, which rose to 75.18\% at the end of 2007, which is one year after the official completion of the programme. Furthermore, only 57.7\% of the funding available via the sectoral OPs and 58.5\% from the regional OPs was absorbed by 2006.\textsuperscript{332} This barely rose in the following year, reaching 60.8\% and 62.4\% respectively in June 2007.\textsuperscript{333}

At this point it is important to clarify what it is that the absorption rates indicate. They describe the rates in which the progress of the payment processes as demonstrated by the regulations of the structural funds take place. In the first instance, that process entails the selection of an eligible project from the Managing Authorities and the Monitoring Committees at the national level. Then, the national authorities apply to the Commission for the funding and the EU contribution is committed for deployment after the national contribution is secured. When that happens the Commission releases the funding to be spent in the project.

True, it is normal to have low rates of absorption at the initial phases of any developmental program. The projects of either the ‘soft’ or ‘hard’ infrastructures need to ‘mature’ before

\textsuperscript{331} Interview E-5.
\textsuperscript{332} www.hellaskps.gr.
\textsuperscript{333} Minutes of the Monitoring Committee of the third CSF (2007).
the absorption rates increase. Particularly for the projects of ‘hard’ infrastructure, the time it takes to select suitable projects for funding can be influenced by many factors. Also, securing the national contributions that is needed before the Commission funding is released is far from straightforward. Also, at the end of the third CSF Greece did indeed manage to spend the majority of the available funds and avoid significant forfeiting. In particular, the percentage of absorption for the third CSF as a whole was 92% in 2008 and by 2010 most of the available funds had been absorbed. However, as will be seen next this happened at the expense of any policy change as the race for the absorption of the funds intensified in the last years of the policy cycle and the projects included satisfied the criteria set by the Commission in order to release the funds but were not consistent with those that were included in the programming stage. Hence, the persistently low rates at such advanced stages of the programme should provide some cause for concern, especially since the rates of absorption are exclusively singled out by the Commission as the main criterion, based on which the flows from the Structural and the Cohesion Funds arrive in the recipient countries. In other words, if a country is consistently failing to absorb the funds that it is supposed to absorb in a given year, the next year it will receive less funding.

More specifically, the difficulties that the projects funded through the European Regional Development Fund (ERDF) faced in finding proper financial backing at the start of the third Greek CSF were identified by the Commission in the ex-post evaluation report for the period 2000-2006 that it published in 2010. In this report, the Commission estimates that only around 20% of payments by the ERDF were made by the end of 2003 and almost 60% of the payments were made after 2006. This rate is juxtaposed with other comparable countries such as Ireland where over half the payments were made by the end of 2003 and 90% by the end of 2006, Spain (41, 6% and 78, 5% respectively), and Portugal (42, 8% and 78% respectively). True, as will be shown at the conclusion the payments made for the whole programme were satisfactory at the end of the policy cycle. Nonetheless, this delay in receiving the payments is clearly a sign of significant implementation difficulties that have an impact on the outcome of the programme.

---

334 Interview E-3.
With regard to the projects financed by the Cohesion Fund in particular, through its Annual Reports on the Cohesion Fund the Commission has identified a series of problems, mainly related to the slow rates of absorption as in 2004, the absorption rate for the Cohesion Fund was 7%. These problems particularly related with the projects that would support the environment, with the projects of physical infrastructure progressing better. For example, in 2007 it concluded that substantial efforts were taken concerning the closure of projects that had been adopted in the 1993-99 period with five projects of that type finishing in 2007. Also, four ‘bridge projects’ that had been financed in the previous period as well as during 2000-06 were finished in the same year. However, after noting the late submission of the projects, it also expressed concern as to whether the projects were submitted in order to absorb the funds or because of their functioning importance, noting that:

The closure process revealed certain aspects that require further attention such as whether projects are operational upon completion.  

This judgement by the Commission was based on the experience of previous periods:

in the course of closures carried out so far this has proved to be a persistent problem in particular as regards environment projects.  

Similarly, in 2008 it noted the ‘serious delays’ in the projects financed as part of the environmental interventions and ‘very low absorption’ in one specific project. It suggested close monitoring and accelerated efforts…are required in order to ensure that the projects are completed and put into operation within the timeframes set.  

Therefore, it is interesting for the current section to identify the reasons for these delays, which affect the rates of absorption. These are not only to do with institutional rigidities that prevent the programmes being implemented in accordance with the initial plans agreed between the Commission and Greece; other bottom-up characteristics seem to have played an important role too.

338 ibid.
5.5.1 Reasons for the delays of the third CSF
First and foremost amongst them – as identified by most of the interviewees – is a tendency of the final beneficiaries to turn to every legal procedure available in order to promote their bid for the construction of a project. The final beneficiaries are public or private firms that are responsible for the commissioning of the operations. The projects include not only physical infrastructure projects – where one could assume that the variables that influence a decision are more or less irrefutable – but also programmes of ‘soft’ actions – such as training courses. In particular, following the publication of a tender for a certain project, the competitors – individuals or companies – of those who win the tender do not always accept the result.\(^{340}\) They try to make their point by lodging an appeal ‘regardless of their chances of winning’.\(^{341}\) As a result, certain projects which are already included in an OP and have secured the funding from the Commission’s relevant fund cannot start until the appeal has been discussed. Given the paramount delays from which the Greek judicial system suffers in general this results in significant setbacks for the projects involved. There are cases where an appeal is only discussed three or four years after being lodged.\(^{342}\) Therefore, in certain cases this process results in the cancellation of the project.

A similar issue contributing to the delays is that of the archaeological sites.\(^{343}\) As Greece is a country with a rich archaeological inheritance, many excavations that take place as part of a project of a ‘hard’ action are very likely to lead to a find of this type. Because of this inheritance, and also because of the anachronistic nature of the Greek educational system, which has promoted a ‘shared’ national identity that revolves very much around the supposed miracles of Ancient Greece, the archaeological profession has acquired significant powers throughout the years. In particular, archaeologists retain considerable influence in the policy areas where any element of their jurisprudence is concerned. They are institutionally represented through the Archaeological Council in the process of the management of the EURP in the CSF MC.

\(^{340}\) Interview C-5.
\(^{341}\) Interview A-3.
\(^{342}\) Interview C-6.
\(^{343}\) Interview C-5.
They tend to be quite inflexible in their decision-making and to promote a view of Ancient Greece,\(^{344}\) which more often than not contradicts the needs of a modern developmental plan such as the third CSF. Consequently, they can delay the announcement of their decisions on a project, and since no other progress can be made the whole project is delayed. There are also cases in which the implementation of a project may even be postponed indefinitely because of such a situation. This is not to deny that the protection of the cultural inheritance of any country that benefits from the Structural and the Cohesion Funds is a priority for the Commission.

A third issue that has created delays in the implementation of projects is that of the political interference of deputies in the selection of the projects. This problem is mainly identified at the regional and local levels where the deputies think that the funding that comes through the relevant OPs should be used in order to satisfy their regional clienteles.\(^{345}\) In chapter 3, I discussed the clientelistic political interference of the Government in bureaucratic and technocratic affairs as an endemic characteristic of the Greek political economy. What is important in this section is the fact that the local deputies interfere in the selection of the projects, in order to favour some ‘political friend’. Indeed, this practice is so prevalent that when an interviewee was asked if what he was describing was the traditional ‘rousfeti’ that has been a feature of this sort of interaction for years he simply presented it as ‘a distinct philosophy’\(^{346}\) in developmental issues; in other words, as something that one takes for granted when participating in the decision-making of the authorities. Another interviewee, who was employed at the MA of a regional OP, seemed to think that it was so embedded in the process that he referred to the interviewer, saying:

> there will always be interferences; we are always influenced by friends and relatives. If you were a Prefect of an area, and a member of the Cabinet who is a personal friend of yours asked something from you, would you not do it? I know that I would, it is logical and it makes sense to me to be loyal to your friends.\(^{347}\)

Similarly, another former employee who participated in the management institutions until 2003 pointed out:

\(^{344}\) Chlepas, 1999.  
\(^{345}\) Ibid.  
\(^{346}\) Interview C-5.  
\(^{347}\) Interview B-2.
There is no doubt that the final beneficiaries are influenced by local clientelistic interchanges; each recipient country has a certain social environment in which it implements the policy and this does not change easily.348

Moreover, a Greek Commission employee349 put the issue succinctly by drawing a sketch in order to illustrate his point. The sketch consisted of two overlapping cycles, one bigger than the other. The smaller one represented the EURP processes and Management and Implementation Systems (MIS) whilst the larger cycle represented the wider political and socioeconomic context of the country. Issues of clientelism, corruption, lack of trust and political interferences were included in the larger cycle which -as he said- ended up having much more significant effects than what was intended through the EURP and the MIS. Finally, another Commission employee350 spoke about a ‘comfortable’ relationship between the state and the business sector and that investment decisions were taken in Greece through the influence of ‘political’ pressures.

Therefore, where a project has been decided and all the bureaucratic procedures have been concluded, a member of the Cabinet proposes a decree stipulating that the project needs to be implemented by a different final beneficiary than the one that had been decided. The member justifies this by identifying an irregularity – usually of formalistic and completely irrelevant nature – in the initial decision made by the relevant authorities. This member of Cabinet more often than not returns a favour to a local deputy by interfering in this way.351 As a result, the project is delayed, since all the relevant procedures need to start again and the implementation cannot be initiated before they conclude. To be sure, it is not only a member of the Cabinet that may interfere:

Deputies, Mayors, Prefects, members of Cabinet who belong to other Ministries, the Regional Secretaries of regional OPs other than the one discussed, they all seem to have a say in these issues even though formally it is only the General Secretary of either the region or the Ministry responsible for the OP who should be involved.352

---

348 Interview A-8.
349 Interview E-4.
350 Interview E-5.
351 Interview C-4.
352 Interview E-2.
Certainly, the interventions by the central Government in the design and even the implementation stage of a developmental programme are not necessarily harmful for the final product of the programme. Any recipient country is required to present a national plan of economic and regional development to the Commission so the central Government is a priori responsible for participating in this process. It is natural that the decisions that relate to the priorities of a national industrial and/or regional policy are taken at the central level. Nevertheless, the interference that takes place does not seem to have any developmental needs in mind but is mainly done in order to promote the short term interests of those involved. As one interviewee put it:

in the case of discrepancies between the technocratic and developmental priorities and the "political ones" there is never any doubt in our minds that the latter take precedence over the former.

These processes are not exactly illegal but they contradict the logic set out by the regulations concerning the transparent deployment of the funds. However, they are so widespread that none of the interviewees doubted their existence though they were equally reluctant to name them for what they were. Hence they would refer to them as ‘political’ interventions or employ other ‘indirect’ ways to describe them even though they were clearly referring to patronage and clientelistic practices.

Another issue which is similar to the one discussed here is a mentality that exists at the regional and local levels about the entitlements of each area to the available funds. They relate to the fact that at that level there is a perception of ‘equality’ where each region ‘should’ take some money regardless of its developmental needs and/or the progress that it makes in absorbing the funds given through the relevant ROP. Because of the lack of any devolution of powers for the collection of taxation at the regional and local levels, the sub-national authorities are dependent on the central government to cover their basic expenditures. Since there are no other national funds available for the regional and local governments apart from the funds that come from the Structural Funds, the sub-national authorities can only be financially viable if they receive this money. Of course, the

---

353 Read 'clientelistic'.
354 Interview B-1.
355 This issue is discussed in greater length in chapter 6.
principle of ‘equality’ mentioned above only applies in theory, since the distribution takes place according to the clientelistic interchanges between the local deputies and the members of the Cabinet. The more votes the former can offer to the governing party the more money they receive. Therefore, there is a pattern by which the central government firstly distributes the available finances to the beneficiaries and then examines their developmental needs. Furthermore, during the implementation of the project, if an area does not seem to be able to absorb the finances effectively and the Commission officials ask why the money is not transferred to another ROP, the answer is that no one can take this money from the area, the implication being that strong protestations from the local populace would follow such an action.  

Another Commission employee corroborated this issue by expressing his surprise at the strong protestations expressed by the regional authorities when enquired about the prospect of redistributing the funds available to ROPs according to their performance.

As regards the mentality of the local population, who might react negatively to the effective implementation of the programmes, the issue of the social reactions often articulated against the construction of certain projects in a specific locality is an important one. It is similar to the ‘not in my back yard’ phenomenon identified in the UK, which entails particularly strong reactions on behalf of the local population to the prospect of building a project of physical infrastructure that is of benefit to the wider country, and is particularly pertinent in connection with projects financed through the Cohesion Fund, especially waste management proposals.  

For example, in the area of Kouroupitos, outside Chania in Crete, a site for waste management was installed in 1990 without following any rules or regulations of the EC environmental legislation. The Commission repeatedly asked the Greek government to close the site and build a new one in an area close by and in accordance with the EC environmental legislation. The Commission repeatedly asked the Greek government to close the site and build a new one in an area close by and in accordance with the EC environmental legislation. Because of the strong reactions on behalf of the population in the area of the proposed site, however, the project stalled, and as a result, in 2000 the Commission imposed a fine on the Greek government amounting to €20,000 per day. The new site was still not fully operational in 2005, whilst in the

---

356 Interview E-2.
357 CEC, 2008.
intervening years the Commission referred Greece to the ECJ twice. The main obstacle was the continuing resistance to the relocation of the waste dump site by residents in the area of the proposed new site.\textsuperscript{358}

A fifth issue is the multiplicity of procedures that need to be followed by a final beneficiary in order to start implementing a project. The difficulties in communication and coordination between the many institutional authorities that manage the regional and sectoral OPs are discussed in detail in chapter 6. What I refer to in this part is a seemingly ‘Byzantine’ plethora of actions that a final beneficiary needs to follow in order to be able to submit a bid for a project. These are established by pre-existing legislation that had governed investment proposals in Greece in the past and were simply not updated after the introduction of the Structural and the Cohesion Funds. This is the result of the fact that the 1260/1999 Council Regulation, which governed the activities of the EURP during the 2000-2008 period, has only provided a general legislative framework for these activities. The domestic laws for the planning and assessment of planning proposals are the ones that are applicable in the final case and are intended to integrate the ‘spirit’ of the Community legislation. Similarly to the general patterns of the transposition of Community legislation in the domestic legislation, however, this has hardly been the case.\textsuperscript{359}

Therefore, for instance, a male who was interested in pursuing an investment relating to the agricultural sector in his local area was asked to submit a certificate that would ensure he had completed his military service.\textsuperscript{360} Apart from the obvious discrepancy between such a requirement and the need to promote equal opportunities for every citizen in every member state of the EU, it is also unclear how someone’s military service could affect his ability to proceed to the investment successfully, which is what the legislation is supposed to ensure. In other cases, migrants who had been legal residents in the country for more than ten years were discouraged from submitting a bid because they did not have Greek citizenship.

\textsuperscript{358} Interview C-6.
\textsuperscript{359} Dimitrakopoulos, 2001; 2007.
\textsuperscript{360} Interview E-2.
These are just two examples\textsuperscript{361} that may make clear the irrelevance of some of the documentation that a private investor would need to submit to the appropriate authority in order to submit a bid for the implementation of a project. It might be concluded therefore, that these issues could fall under the general problem of excessive ‘red tape’ that hinders the objectives of the plans. However, this is not the case, since these problems are not similar to the ones that are usually put under this category – for example, requirements for health and safety legislation. Rather, the issues mentioned here can substantiate the ‘irrationality’ of the manner in which the Greek bureaucracy interacts with the surrounding socioeconomic environment and how the state unintentionally turns prospective investors away. Indeed, many individuals who do not enjoy the margins that larger companies do are disheartened and abandon their plans because of these requirements. Furthermore, this situation is reproduced amongst the local population, and prospective investors may not even bother to enquire about these issues.

To be fair, these problems were exacerbated after the introduction by the Commission of additional bureaucratic procedures to ensure transparency and the sound management of the Structural and the Cohesion Funds in the third CSF. As mentioned above, the Commission strengthened these procedures without however taking into account the inflexible domestic administrative system in countries such as Greece. In particular, the intensification of expenditure management and financial control has failed in its aim to promote transparency and sound management in the funded programmes. Instead, it has resulted in an ‘audit explosion’ in the member states that exacerbated the existing managerial and administrative difficulties.\textsuperscript{362} This is the case because for each project to be approved there are three stages of financial control that need to be implemented, which provides asphyxiating constraints to the system. The legislative framework introduced and related with financial control was characterised as ‘anti developmentalist’ by an interviewee and as one that transformed the role of the Commission from an agent of economic and regional development to simply ‘an inspectional authority.’\textsuperscript{363} As he put it:

\textsuperscript{361} Both mentioned by Interview E-2.
\textsuperscript{362} Bachtler and Mendez, 2011.
\textsuperscript{363} Interview A-8.
there is no doubt that the transparency and the avoidance of corruption are very important goals to which we should all contribute. However I cannot understand how adding three more technical procedures that a prospective final beneficiary needs to follow will promote these objectives. What I do know is that these requirements can make the prospect of investing almost unbearable.

The multiplicity of procedures that the combination of the domestic with the EU legislation provides has resulted in some projects being rejected after inspection by the relevant auditing authorities. This is justified in the case of non-compliance with environmental and/or public procurement legislation. For example, decisions of this kind were taken concerning 3 final beneficiaries in 2006.\(^{364}\)

Another issue that needs to be mentioned in this context is one that is likely to discourage a prospective investor even if they do show an interest in overcoming the rigidities that the legislative framework is imposing on them. This is related to an attitude that exists at the local level which postulates that in order for someone to benefit from any governmental investment they need to enjoy the ‘right’ connections that will ‘push’ their proposal. For example, someone who has worked all his life and is entitled to a state pension will, instead of following the relevant bureaucratic procedures, go to his local deputy in order to make sure that he will receive it. Similarly, in this context, the prospective investor is likely to try to influence the decision that is supposed to be made by the relevant MA through his deputy. If he does not think that he can do that or if he fails to establish ‘connections’ with the relevant authority in other ways, he is likely to refrain from any proposal.

Moreover, during the IMPs and the first two CSFs there was a significant lack of information about the existence of this funding in many areas. Put simply, many people were not aware of the existence of these opportunities for the co-financing of investment proposals.\(^{365}\) This deficiency was identified in the third CSF and the Managing Authorities were endowed with more responsibilities for the deployment of modern methods of communications to publicise the projects. Despite these efforts, however, and an admittedly

\(^{364}\) CEC, 2006.  
\(^{365}\) Interview B-1.
impressive national campaign\textsuperscript{366} that started in 2005 for the dissemination of information about the third CSF, many people are still not aware of the existence of the funds.

Furthermore, there is a profound difficulty when it comes to communication between the actors that could potentially become final beneficiaries of a project and the MAs and IBs. These difficulties are particularly prevalent at the local level. As an employee of a MA of a regional OP put it:

There are cases in which the public sector is the pioneer and advances developmental initiatives but the private sector does not follow. There are other cases in which the representatives of the private sector manage to organise and present us with collective requests for financing projects that could develop our area and we do not respond. For example they might decide that the establishment of an industrial park in a particular area would be something for which they could provide finances but the public sector does not have the time to provide the infrastructure that is needed or any other support because at the time we have other priorities. On the other hand, we might come up with a proposal for the introduction of an industrial park at a different time but with little or no consultation from the local entrepreneurs who have already located their premises elsewhere and are now reluctant to move despite the incentives that we offer. Therefore, both the public and the private authorities are trying hard to absorb the funds and develop the area but there is definitely a lack of timing between the two efforts.... There are cases in which entrepreneurs from our area ask us ‘‘Do you have any programme for the support of the private sector?’’ and we reply ‘‘what proposals can you offer?’’; there is absolutely no coordination between our actions and those of the private sector.\textsuperscript{367}

This is the case even though occasionally individual entrepreneurs or companies come up - and sometimes undertake- significant investment initiatives at the local level.\textsuperscript{368} However, these are seldom integrated into a coordinated plan for implementation of a programme for the development of an area. Thus, they remain either short term investments with limited long term effects on the area’s productive capabilities or simply plans that are never put into practice.\textsuperscript{369} This is mainly because these investments:

\textsuperscript{366} Using national celebrities.
\textsuperscript{367} Interview B-2.
\textsuperscript{368} Interview E-5.
\textsuperscript{369} Interview E-4.
...are not supported socially, the local and regional societies do not support those entrepreneurs that want to move things forward but only those whose investments stand no chance of succeeding.\textsuperscript{370}

Moreover, government intervention rarely if ever plays any part in the formation or the nourishing of this entrepreneurial activity. This is so because:

The business sector in Greece is very traditional...over the years it has become accustomed to a situation where the prosperity of a company depends on the handouts that it receives from the government and there is no sense of accountability about the methods used in order to disperse this money...also, there is enormous pressure for private companies to do things in a certain way and if they are seen to step out of line they will be ‘punished’ by their competitors...also there is no coordination, for example in the case of a programme for professional training the government would go to the business sector and ask them ‘what are your needs in terms of personnel’ and the business sector would reply ‘well you tell us what are our needs’, are the private companies willing to invest in working out what their future needs are likely to be? The answer is no, they can’t see an immediate benefit for themselves.\textsuperscript{371}

In the current subsection I discussed the six main groups of reasons identified by the interviewees as contributing to the delays in the implementation of the projects included in the third CSF in Greece. These undermined the absorption of the funds by the domestic authorities and hence jeopardised the developmental objectives of the programme. The problem that the domestic authorities had to deal with was how to redeploy the funds that were not absorbed in the OPs agreed at the stage of designing the programme and to avoid losing the funding. This quest became harder because of the introduction of the ‘n+2’ automatic de-commitment rule.\textsuperscript{372}

5.5.2 The implications of the ‘n+2’ automatic de-commitment rule

The question of what would happen to funds not absorbed by the domestic authorities before the due date was the object of negotiations between the Greek national authorities and the Commission. The second CSF continued to finance works via ‘bridge projects’ at least until 2004. The method used was that the finances not absorbed by the closing of the programming period would be redeployed as part of the finances provided by the third

\textsuperscript{370} Interview E-5.
\textsuperscript{371} Interview E-5.
\textsuperscript{372} Article 31 of Council Regulation 1260/1999.
CSF. Therefore, they would be added to the financial resources that would be available for each objective and priority axis from the current CSF. An effort was made to integrate the residual funds into projects that were relevant to the initial objectives. In accordance with the regulations this would take place after consultations between the domestic authorities and the Commission officials. In the report on the implementation of the Structural Funds in 2004 the Commission admitted that these negotiations were ‘sometimes difficult’ since the demands made by the Greek officials were not always in accordance with the regulations.

Nevertheless, although there were efforts to achieve synergy between the objectives and priorities of the two CSFs (second and third), in practice the CSF MA would again attempt to divert funding from priorities or objectives that had not absorbed the finances during the second CSF, to others where the absorption rates had been more satisfactory. Hence, although there was an effort to employ the residual funds in accordance with the stated objectives of the previous CSF, in reality the programmes that had been seen as more effective in absorbing the funds would be more likely to benefit from them as well. Despite these efforts, however, Greece was not able to avoid effectively forfeiting substantial funding from the second CSF as a result of the inability to absorb the funds in accordance with the Commission regulations. In particular, before the elections of 2004 it was announced by the then Commissioner for Regional Policy that the country would forfeit €550 million that could have benefited the country. These were not simply funds that were not absorbed via the OPs, but were funding requests initially accepted as part of projects included in regional and sectoral OPs but after the audit by the Commission officials they were found to be incompatible with the requirements and the funds were withheld. I will return to this issue later in the chapter.

If the method of redeploying the funds that had not been absorbed by the arranged date was one that could be used with some degree of flexibility for the IMPs and the first two CSFs this is not the case following the Reform of the Structural Funds in 1999. The introduction of the ‘n+2’ automatic de-commitment rule entails that the finances of any projects that

\[373\] CEC, 2005.
were not completed by the date stated in the Planning Supplement could only find alternative sources of use two years after that date. After these two years had passed the finances would be lost for the recipient country and they would be automatically diverted, either to more productive countries in terms of their absorption rates or to finance other EU policies. This rule was introduced as a financial control in order to ensure the sound management of the finances and avoid the problems identified in the previous programming periods especially with reference to incomplete projects.

Furthermore, the financial scandals that contributed to the resignation of the Santer Commission in 1999 and the pressure exerted by the European Parliament and the European Council towards the strengthening of the procedures that would ensure the sound management of EU money resulted in the adoption of stringent processes at the domestic level.\footnote{Interview E-5.} That had direct consequences for a country like Greece which had struggled to follow the EU regulations on programme implementation during the first three programming periods. As I mentioned above, in the third CSF implementation had entailed the introduction of a plethora of additional bureaucratic procedures that rendered the administration of the programme even more complicated. Because of the binding nature of the post 2000 rules the Commission was no longer willing to accept the ‘peculiarities’ of the Greek administrative system in the way that it had during the 1990s. The room for informal agreements between the two parties with the Commission turning a blind eye to the irregularities was less possible in the third CSF. This of course does not mean that there was no room left for the Commission to lax the requirements entailed in the ‘n+2’ rule. As will be seen at the end of the chapter at the end of the programme the rule was practically not applied after all because of a series of fires that plagued Greece in the summer of 2007. In any case the Commission has never intended to be unconditionally strict in enforcing the rule and everyone ‘had it in the back of their minds that not all money would be lost because that would not reflect well to the Commission either.’\footnote{Interview, E-5.} However, the spirit of the regulation remained that the country would have to improve its rates of absorption at this
stage of the implementation of the CSF hence it would have to improve the patterns of project generation.

During 2005 and 2006 there were intense negotiations between the CSF MA of the Ministry of Economy and the DG Regional Policy about these issues. The problem was caused by the fact that by the end of 2006 – the scheduled date for the completion of the third CSF – Greece had only absorbed 45% of the total finances awarded. Therefore, when according to the ‘n+2’ rule, by the end of the year Greece should have absorbed the greater part of the funds and use the remaining two years in order to finance any residual projects, the situation was different. It had actually absorbed less than half the funds available and would have to find ways to absorb not only the remaining 55% but also the funds that would flow during the fourth programming period. The Commission had expressed its reservations concerning the ability of the Greek authorities to avoid losing funds due to the ‘n+2’ rule in its report on the implementation of the Structural Funds since 2004. In that it points out that:

the rhythm of programme execution remains extremely uneven and…many find themselves at risk of application of the ‘n+2’ rule at the end of 2005.376

Noticing the discrepancy between institutional objectives and action (discussed in greater detail in chapter 6) it points out that although:

the Greek authorities established a powerful mechanism for monitoring ‘n+2’ risks they are forced to note that delays observed often do not result in determined action to compensate the risks.377

Similar problems with the application of the ‘n+2’ rule were identified in the evaluation undertaken by the Commission about the Management and Implementation Systems (MIS) of the ERDF in 2000-2006. Greece was placed in a group of countries facing significant difficulties in meeting the ‘n+2’ targets and the implementation of strategies and action plans was required in order to avoid automatic de-commitment.378

376 CEC, 2005.
377 ibid.
378 EPRC, 2009.
Furthermore, the principle of co-financing between the Commission and a member state entails that the Greek government had to find national resources in order to complete the projects. The Greek government had to contribute at least 40% for each project, which according to one estimate amounted to around €2.8 billion per year. Given the tight fiscal policies that had been adopted by the governments of the period 1996-2004 in order to participate in the common currency and to meet the new government’s commitment to ‘tidy up’ the public finances, the scope for finding these resources was very limited. Nevertheless, as a result of the ‘n+2’ rule, even if the resources could be found, to incorporate the funds of the third CSF in the projects of the programming period that officially started at the beginning of 2007 – in other words following the same approach as in the previous periods – would only be an option for the years 2007 and 2008 and after that the finances would be lost.

The domestic authorities’ problems in absorbing the EURP funding did not only concern the Structural Funds. Rather, they were even more significant when it came to the separate projects financed by the Cohesion fund. As mentioned above, the projects that were financed in Greece by the fund established in 1992 to assist the then four poorer member states were related to the environment and the infrastructure of transportation networks. However, by 2006 around one third of the environmental projects had not even been started and the average rates of absorption were below 31%. Overall, from the 82 environmental projects submitted to the Commission 25 had not absorbed any funds and for 32 the absorption rate was less than 50%. The regions of Northern Aegean, Attica, Western Greece, Peloponnese, Central Greece and Eastern Macedonia and Thrace had the smallest amounts of absorption with 3%, 20%, 21%, 24%, 27% and 27% respectively.

More specifically, for the Region of Attica, of the 14 projects that were initially agreed on, nine had not even started in 2006. By contrast, in the Regions of Thessaly, Western Macedonia and Epirus the absorption rates were much better: 71%, 64% and 62% respectively.

\[379\] ta nea, 10 October 2005.
\[380\] This information was released by the Commissioner for Regional Policy to the SYN MEP Dimitris Papadimoulis after a question that was put forward from the MEP and is reproduced in eleytherotypia, 15 Oct 2006.
respectively. In relation to the projects that were financed in order to improve the physical infrastructure it is worth mentioning the case of the railways. An integrated plan to improve the railways communications along the previously mentioned PATHE road was financed by the Cohesion and the Structural funds with €5 billion. In the period between 2004 and 2006 no new contract was signed as part of the plan. As a result, the Commission withdrew funds that amounted to €350 million for that project.

Apart from the losses from the Cohesion Fund, the Commission also decided to reduce ERDF assistance granted to the OP ‘Access and Road Axes’ from the second CSF 1994-99. Until 2008 there were ‘bridge projects’ that were still implemented from the largest OP of the second CSF and after granting extensions the Commission decided that it would be against the ‘n+2’ rule to continue funding these projects. The total amount was around €30.1 million and this was decommitted on 22 December 2008.

5.5.3 The implications of the deployment of ‘constructive logistics’

On the whole, the change of the Commissioner for Regional Policy and the appointment of Ms. Danuta Hubner in place of Mr. Michel Barnier, coupled with the election of the new government of Nea Dimokratia (ND) in 2004, combined to provide an interesting picture in the relationships between the DG Regio and the CSF MA, and hence the implementation patterns of the third CSF. The CSF Managing Authority (MA), the central institutional actor in the management of the programme, was reorganised in its majority by the newly elected government and the personnel that were installed were not always familiar with the procedures of managing the structural funds. On the other hand, the new Commissioner has adopted a harder line in her dealings with the Greek authorities, demanding the strict enforcement of the rules that were stipulated by the 1260/1999 regulations.

This strict position of the new Commissioner was explained by some senior officials of the Greek CSF MA with reference to her nationality. In particular, it was thought that the accession of the new member states from Central and Eastern Europe intensified the

---

381 ta nea, 24 March 2006.
383 Interview C-6.
competition for the attainment of the resources that arrive from the Structural Funds. Therefore, it was assumed by the interviewees that countries such as Poland employed even their Commissioner in the fight to diminish the negotiating right of countries like Greece to obtain funds.

In particular, the Commission officials were concerned about a series of financial ‘tricks’ that the Greek MAs had been using in order to redeploy the funds that had not been used as arranged in the Planning Supplement or in order to spend the budgets submitted. These practices became known as ‘constructive logistics’, by which the Greek authorities would attempt to present a picture of the planned completion of projects included in the OPs, but in reality the projects had been completed already. In general and although the actual logistics of the whole enterprise do not form part of the objectives of the chapter, the processes employed were not dissimilar to those used by private companies in order to present a picture of financial vibrancy even though in reality they are in a difficult financial position. Similar procedures had been adopted by the previous government during the implementation of the second CSF and had become the object of scrutiny by Commission monitoring officials. The initial agreement for the correction of these irregularities was taken when the PASOK government was still in power in 2003. Although the ND government had criticised these practices when in opposition, it adopted them when it understood the practicalities of implementing the Structural and the Cohesion funds.

These procedures would border on legality and for example they would include the announcement to tender for specific projects that had already been completed, by giving a deadline of only a few days. During this time, beneficiaries who had already acquired knowledge of the imminent announcements would declare an interest and in collaboration with the MAs would seemingly participate in the implementation of projects especially those of physical infrastructure. The projects of course had already been completed and the final beneficiaries would enjoy the extra finances. By doing this the MAs of the sectoral and the regional OPs would present a picture of absorption rates that was far from the

---

385 Interview C-5.
reality. Additionally, the funds that the Greek government would receive from the Commission by following this practice could be used in order to cover expenses and deficits from the national budget.\textsuperscript{386} In that way the major problem of the Greek finances, which had been the excessive public deficit, could be at least partially addressed. That of course was not part of the objectives of the third CSF. To be sure, there is little doubt that had it not been for these practices the third Greek CSF would probably have lost more funds than it did. At least the moneys stayed in the Greek economy and offered significant developmental boosts. It is questionable however whether these practices can have a lasting impact in terms of administrative performance and improvements in state capacity. These issues are discussed in greater detail in chapter 6.

As a result, in late 2004 Ms Hubner sent an official letter to the Greek government threatening to take decisive action if these irregularities were not corrected immediately. This followed her speech in the college of Commissioners in which she spoke about ‘irregular renegotiations of public contracts after they were signed’ and ‘operational procedures of discrimination and lack of transparency.’\textsuperscript{387} Indeed, the country was threatened with suspension of payments amounting to the remaining third CSF if it did not comply with the demands made by the Commission within two months.\textsuperscript{388} To be sure, this was not the first time that the Commission had warned the Greek government about possible forfeiting of funding due to identified operational irregularities which were in discrepancy with EU regulations of competition, the protection of the environment etc. In 1998 the then Director General of Regional Policy in the Commission Mr. Landaburu had written to the then Greek minister of Finance warning him that his authorities will be monitoring very closely the issues relating with the irregularities in the operational procedures followed for the award of public works and that the Commission would decline to co-finance any projects that were to be funded with opaque financial procedures.\textsuperscript{389}

\textsuperscript{386} Elefterotypia, 6 November 2005.
\textsuperscript{387} Quoted in Mousouroulis, 2010.
\textsuperscript{388} Mousouroulis, 2010.
\textsuperscript{389} Quoted in Mousouroulis, 2010.
Moreover, early in the policy cycle of the third CSF, Commission officials had already started indicating their dissatisfaction with certain domestic operational practices. In 2003 they made it clear that the weaknesses of the procedures for the award of public works in particular were significant and could result in the imposition of high fines by the Commission. In a letter sent to the Greek government the Commission had accused the Greek government of going back to its pledges offered late in the second CSF to improve the ‘weaknesses relating with the legal, organisational, and methodological practices followed in the country that do not benefit the public interest’. It characterised these problems as ‘systemic’ and embarked on a ‘zero tolerance’ policy towards the domestic authorities. Another Commission employee confirmed that by saying:

Late in the second and early in the third CSF we were far from happy with the practices that the Greek government was following in order to award the construction of public works to private companies.

As a result the Commission demanded the implementation of an action plan that would entail specific actions and timeframes for their execution that would improve the system of allocating public funds for projects of physical infrastructure. This action plan was signed between the Greek government and the Commission on March 2004, which was one day before the general elections were to take place. The overly ambitious nature of the plan –the country agreed to take measures that it had not taken for many years- and the election of a different government resulted in the action plan not being executed. Consequently, the Commission decided to de-commit a significant amount of funding arriving from the ERDF.

In particular, the final agreement reached between the two parties in 2005 was a suspension of payments that amounted to around 518 million euro. That was imposed as a penalty following a formal infringement procedure on behalf of the Commission to the Greek government in order to reprimand the managing authorities for the use of such ‘financial tricks’, and also because of the identification of a series of irregularities found by the

---

390 Quoted in Mousourouli, 2010.
391 Interview E-5.
392 Mousourouli, 2010.
393 Decision C (2005) 1731.
Commission in the tendering and management of public contracts.\textsuperscript{394} The irregularities involved the period 2000-03 and the funds would be withdrawn from future payments made by the Commission as part of the third CSF. Also, the decision imposed a 10\% financial correction to be applied by the Greek authorities on future expenditure to be declared for public contracts that had already been tendered.\textsuperscript{395} This decision was seen as a success on behalf of the Greek government since the Commission’s initial aim was to de-commit all the EU funding that had been used for the construction of projects of physical infrastructure through the ERDF in the third CSF.\textsuperscript{396}

Apart from the financial implications of the deployment of such tactics – which are far from insignificant – the already partially strained relationship between the officials of the DG Regio and the Greek CSF MA deteriorated further. The former could not cease to be taken aback by the consistent inability of the Greek governments throughout all the programming periods to employ the funds in a developmental way and produce even a few pecuniary results that they could claim to have accrued from the EURP.\textsuperscript{397} The quest for ‘success stories’, which is one of the strategies of the DG in order to ‘sell’ the policy to those who are not always convinced about its need, became even more difficult in Greece. It is a fact that not all projects that were implemented in Greece resulted in the lack of tangible benefits. Indeed, some cases are mentioned in the publications of the DG as ‘success stories’ that could be emulated by countries that would become recipients of Structural Funds in the future; in other words, the countries that entered the EU after the enlargements of 2004 and 2006. Nevertheless, the low rates of absorption and the irregularities noticed by the monitoring authorities of the Commission regarding the qualitative deployment of the funds created problems. The domestic authorities responded in a quite reactionary manner to the threats posed by the Commission and the whole affair was initially at least presented as an unwanted intrusion by the Commission into the domestic policy making processes.

\textsuperscript{394} CEC, 2006.
\textsuperscript{395} ibid.
\textsuperscript{396} Mousouroulis, 2010.
\textsuperscript{397} Mousouroulis, 2010.
In any case the communication between the domestic authorities and the Commission officials during these negotiations was characterised by the Greek authorities' difficulties in presenting their case effectively. The Greek authorities adopted a defensive attitude towards the Commission officials. Instead of making the case that the irregularities were the result of the idiosyncratic nature of the Greek political and administrative system rather than a deliberate attempt to deceive the Commission, the Greek officials were more defensive than needed.

5.5.4 The revision of the public finances
When the ND government came to power in 2004 it thought that instigating a wide-ranging audit of the public finances would be of benefit to the country. Under the supervision of the new Minister of Economics and Finance, Prof. Alogoskoufis, it submitted to EUROSTAT a significant adjustment of all the public finance indicators that the PASOK government had used in order to justify the admission of Greece to the euro-zone. The newly elected government justified this technical change by including the defence expenditure in the budget. Greece devotes a more than substantial part of her public finances to defence expenditure, which has certain implications when it comes to the public finances. In particular, certain expenditure of this type only benefits the country five to ten years after the procurement has taken place. For instance, if the Greek government signs an agreement with an arms company to acquire certain armaments after a certain number of years, the question is, when does the expenditure become included in the national statistics: in the year of purchase or in the year when the commodities actually enter the country? In short, the PASOK government had followed the second option, whilst the revision stipulated that the former should have happened and recalculated the relevant data in accordance with that rule.

Despite the technical justification, there is little doubt that this was a politically motivated strategy with the new government pursuing its agenda of discrediting the achievements of the PASOK government. In particular, having projected the image of the good householder before the elections, the government of ND was keen to show to the electorate that PASOK
had not lawfully achieved the reduction of the public deficit and debt levels, but instead had deceived the Commission by bending the rules. Additionally, throughout the last two years of the Simitis government, ND pursued a wide-ranging anticorruption initiative through which it accused most of the leading members of the Cabinet of being implicated in corrupt practices. Certainly, the element that has been lost in this strategy is that if the revised data was correct, the country’s adoption of the common currency was miscalculated and would be declared invalid. Finally, after a lengthy process of negotiations between the Commission and the Greek government, the former accepted the revised public deficit and debt information.

The issue of the revision of the public finances would not have mattered for the current discussion if it were not for another repercussion that came after the change in the data that involve the convergence criteria. Specifically, as a result of this revision the country became subject to the ‘excessive deficit procedure’ for the years 2004-2006, since the governmental deficit would now breach the rules set out by the Stability and Growth Pact (SGP). Therefore, in 2006 Greece had breached the rules of the SGP for three consecutive years, which meant that it was put under scrutiny by the ECOFIN, which had the authority to impose fines if the same were to happen for a fourth year. When the Greek government realised the repercussions of the ‘excessive deficit procedure’ in 2006 it decided to revise the national GDP rates by including in the official measurement of the country’s GDP the black market or ‘shadow’ economy which, as shown in chapter 3, forms a substantial part of the undocumented economic activity. In fact, it was back in 2004 that the head of the National Statistical Service of Greece had conducted a review and required amendments to the relevant data. These efforts were intensified, however, because it became clear that, according to the rules of the SGP, by increasing the rates of GDP the government deficit and the public debt would be reduced; hence Greece would not have to face any fines by the ECOFIN. Indeed, in 2007 the Commission accepted that the average rates of GDP would be increased by 9.5%, instead of the 25% that the Greek National Service had asked for, which was done in order to remove the country from the surveillance of the Council.

399 These are described in greater detail by Featherstone and Papadimitriou, 2008.
400 Interview D-1.
However, as an unintended consequence of the reorganisation of the public finances and especially the upward revision of the GDP rates the country would cease to be eligible for substantial amounts of funds directed not only through the Structural funds but especially through the Cohesion fund. This is because of the rules that govern the EURP, which employ the national and regional GNP rates as the main indicator for the allocation of the funding. The Cohesion Fund in particular uses the national rates of GNP as a threshold in order to decide which countries should benefit from its funding, the threshold being 90% of the EU average. Therefore, in 2006 the DG Regio announced that Greece was in danger of losing substantial amounts from the Cohesion fund after 2010 if the correction in the macroeconomic data was substantiated.\textsuperscript{401} In addition, Greece’s contribution to the EU budget would have to increase substantially because according to the new rates of GDP it was now considered closer to the rich member states than before. That was the case especially after the two most recent waves of enlargement, which dropped the average rates of GDP substantially.

Furthermore, the timing of the decision, which coincided with the developments relating to the EURP and in particular the fourth programming period of 2007-13, did not benefit Greece. In particular, the Commission officials seemed ‘disappointed’\textsuperscript{402} by the decision of the Greek government to increase the national rates of GDP after the negotiations for the fourth round of coordinated EU assistance had been completed. It did not seem appropriate that during the negotiations, Greece represented itself as a poor country that needed additional financial assistance from the first CSF that would encompass the countries of the Central and Eastern Europe, and yet two years later decided that it was actually much richer than that. As is usually the case during these negotiations, the supranational executive authority of the EU had actively supported the Greek demands for the continuation of the funding for the period 2007-2013. Indeed, at the end of the negotiations the country secured around €20.4 billion, which is significantly more than what the initial predictions had assumed. Therefore, when Greece announced the new statistical details of her average GDP

\textsuperscript{401} ta nea, 6 October 2006.
\textsuperscript{402} Interview E-2
rates, the Commission’s stance in the negotiations for the fourth programming period seemed futile.

This has contributed to the Commission adopting a harder line in its dealings with the Greek officials. When for example in 2006 members of the CSF MA visited Brussels in order to require an extension of at least a year for the implementation of the programme, their demands were rejected by the Commission. The Greek officials then asked for the implementation of the ‘n+2’ rule to become ‘n+3’; in other words, they tried to achieve the same objective by increasing the length of the time frame in which individual projects would have to be completed. In addition, they requested an increase in the rates of Community participation in the projects to be implemented as stipulated by the principle of additionality. Specifically, the Greek authorities asked for an increase of around 30% in the total Community contribution. The reason for this was that it was very difficult to find private finances in order to complete the projects; hence the only way seemed to be an increase in the finances provided by the Commission. The stance adopted by the latter was again that the rules stipulated by the 1260/1999 are there to be enforced for all recipient countries and that no special provisions could be offered for individual member states.

Therefore, the difficult relationship that developed between the Commission and the Greek government in relation to the implementation of the third CSF has deteriorated further due to the untimely decision by the Greek government to increase the rates of GDP so as to avoid the surveillance by the ECOFIN a few years after it had secured the continuation of the structural funding for the period 2007-13. In addition to this, however, legislation introduced by the Greek government in 2004 in order to combat corruption became a source of friction.

5.5.5 The implications of the attempted introduction of the ‘Main Shareholder’ legislation

There is a historical tradition in Greece of co-ownership between the entrepreneurs who own media outlets and those who become beneficiaries of state support in order to build infrastructural projects. Ever since the 19th century the owners of the local press in

---

403 ta nea 24 June 2006.
particular but later also the proprietors of national outlets such as newspapers with a national circulation would employ their power in order to acquire state financing. Because Greece had been at the stage of pre-industrial development for long periods and would employ government assistance in order to promote industrialisation, the state operated in a developmental manner without, however, the institutional preconditions that would make this intervention successful.\textsuperscript{404} As a result, the state money would be ‘captured’ by entrepreneurs who owned media outlets and who would pressurize each government or even local deputies with the threat of withdrawal of their support if they did not receive the funding. Certainly the politicians involved were more than content to enjoy their support, and so the situation became embedded in the domestic political culture.

This situation remained more or less unchanged in recent times and even now the owners of large publishing companies simultaneously own large construction companies.\textsuperscript{405} That situation can potentially promote corrupt practices since the public funds become part of the clientelistic interchanges between entrepreneurs and the government. In short, funds that should be used for developmental purposes and are in theory included in such programmes – in this case the third CSF – are given to media entrepreneurs in return for political favours.

After 2004 the ND government attempted to change this situation by legislating against the likelihood of an entrepreneur being able to own simultaneously any means of communication and a construction company that manages publicly funded projects. Since it could not directly intervene in the ways in which shares in either media or construction companies could be distributed, it designed the law of the ‘Main Shareholder’ as one of its earliest initiatives in 2004. This basically banned any individual who had shares in a media outlet to simultaneously enjoy ownership rights in a construction company that would manage projects of physical infrastructure. Ownership in both these types of companies was, however, allowed as long as the individual involved was not the ‘Main Shareholder’ but just owned parts of the respective companies.

\textsuperscript{404} Pagoulatos, 2003.

\textsuperscript{405} An example is the ‘Bobolas foundation’ which owns the newspapers ‘to ethnos’ and various other media outlets and is also a firm of constructors with one of the largest turnovers in the country.
The political motivation behind the urgency with which the ND Government promoted the legislation is explained by its pre-election promises that it would combat the corruption of the Simitis period. Throughout the last two years of its government the previous administration was portrayed as a regime that was sustained by the most influential media establishments in the country.\textsuperscript{406} Therefore, breaking this dubious interplay became one of the ND government’s legislative priorities. Through this law it attempted to break the link between media entrepreneurs and beneficiaries of public money for the implementation of projects of physical infrastructures. As expected, the ND Government made this initiative part of its general fight against corruption, which was one of the most important pledges that the party had made before the elections. This pledge was widely supported not only by its electoral base but by the Greek society in general since scandals that involve misuse of public finances\textsuperscript{407} are widely published in the Greek press.

Nevertheless, the Commission interpreted the law as a direct infringement of the EU competition laws and demanded its immediate withdrawal. Under the EU competition legislation no person can be banned from owning shares in as many companies as they wish, as long as they do not break any legislation concerning the creation of cartels or price fixing. If the Greek government refused to withdraw the law, the Commission once again would threaten the suspension of payments from the Structural and the Cohesion funds and also committal to trial in the European Court of Justice (ECJ). This time the authority of the Commission was strengthened by the fact that according to EU law, competition legislation has been the cornerstone of all the EU treaties and this policy area is one in which the Commission has shown considerable activity. Indeed it is the only legislation that is binding on all the member states participating in the common market and supersedes any domestic constitutional arrangements. This was the case even more so because the Commission viewed certain articles of the legislation as unworkable. For example, it contained an article prohibiting not only the entrepreneurs who owned media outlets from participating in proposals for the implementation of works of physical infrastructure, but

\textsuperscript{406} Dinas, 2008.  
\textsuperscript{407} whether substantiated or not.
also their first degree relatives. This was interpreted as legislating at the most minimal level – that of the family – which is clearly not acceptable in a liberal democratic framework.

Furthermore, and most importantly for the current discussion, if the ‘Main Shareholder’ legislation were implemented it would have direct implications not only for the general system of assigning projects of physical infrastructure to private companies but also would directly influence the management of the OP ‘Road Axes, Ports and Urban Development’ and individual projects for the upgrading of physical infrastructure operating through each of the 13 regional OPs and the Cohesion Fund. Indeed, Commission officials by the DG Regio indicated to Greek officials from the Ministry of Economy that if the legislation were used for the implementation of projects through any of the OPs it would be declared illegal according to EU law.\footnote{ta nea, 24 February 2005.} That would mean that the funds provided via the Structural and the Cohesion funds would have to be reimbursed by the Greek government.

Therefore, the issue became a potential source of further problems for the patterns of the implementation of the specific OPs that entailed projects of physical infrastructure, which as mentioned above formed the major part of the total finances of the third CSF, as well as projects financed through the Cohesion Fund. In relation to the latter, the inspections carried out by the Commission in 2007 as part of its audits revealed irregularities in the process of the award of the public works, with the formula used being seen as in breach of European directives.\footnote{CEC, 2008.} These irregularities involved a total sum of around €68 million and mainly related to infringements of public procurement rules and ineligible expenditure.\footnote{ibid, p.41.}

It must be noted, however, that there is a broader issue concerning the discrepancy between the national practices of awarding public works and the requirements that the Commission thinks are appropriate, which played an important role in the previously discussed de commitment of 2005.\footnote{Mousouroulis, 2010; Interview E-4.} These problems are reflected in the audits which the Greek authorities perform and which the Commission publishes in its Annual Reports. For
example, in the report for the implementation of the Cohesion Fund in 2005, 152 such cases are mentioned,\textsuperscript{412} then 103 for 2006\textsuperscript{413} and 12 for 2008.\textsuperscript{414} Some of these cases resulted in a withdrawal of funds whilst others led to a suspension of payments for the period until the irregularities were resolved. Similarly, in the report about the implementation of the structural funds for 2004, the Commission noted that:

\begin{quote}
particular attention was given to the definition of control systems and to compliance with Community legislation as regards the awards for contracts of public works as these areas have posed problems on a number of occasions.\textsuperscript{415}
\end{quote}

Also, in 2006 it noted that after the revision of the CSF that took place in 2005 a significant amount of funding was diverted from the OP for railways, as it was unable to absorb the funds due to ‘continuing tendering problems.’\textsuperscript{416}

Despite the fact that the Greek government attempted to solve these discrepancies, its reaction to the problems identified by the introduction of the legislation of ‘Main Shareholder’ was once again reactionary. In particular, it complained about the unacceptable intrusion of the EU in domestic political affairs. This time the complaints were more serious, since it was claimed that the EU was actually putting into doubt the Constitution of the country and that no supranational entity should have the right to interfere in the domestic politics of the member states. The Greek government, through its official spokesman, called the Director General of Commission’s DG Market Internal Market and Services a ‘low ranking civil servant’ who had no right to interfere in such serious issues of national importance.\textsuperscript{417}

Other opposition parties on the left agreed with this position and only the main opposition party PASOK claimed that the law was indeed in contradiction to the EU competition legislation and had to be withdrawn. A new populist patriotism emerged from this bizarre political coalition between the conservative governing party and the parties of the far left

\textsuperscript{412} CEC, 2005.
\textsuperscript{413} CEC, 2006.
\textsuperscript{414} CEC, 2008.
\textsuperscript{415} CEC, 2005.
\textsuperscript{416} CEC, 2006.
\textsuperscript{417} Interview E-4, Interview E-2.
that entailed significant elements of anti-Europeanism. The EU was portrayed as stubborn, inflexible and ignorant of the national conditions of Greece. The morally and politically justified objective of combating corruption by not allowing ‘press barons’ to take part in the implementation of projects of physical infrastructure was being hindered by the Commission officials. The latter only cared about sustaining the open borders of the free market and were portrayed as ‘neo-liberal hawks’ that only cared about the economic aspects of European integration. The potential for the formation of a new type of Euroscepticism, which –despite the high percentages of public opinion that support the process of European integration is never far-off in Greece–, was created.

Finally, after five months of negotiations, in April 2005 the ‘Main Shareholder’ legislation was withdrawn. The danger of Greece losing substantial funds from the total of around €3.4 million that would be diverted by the ERDF for the OP ‘Road Axes, Ports and Urban Development’ as well as significant finances for these actions that were included in each of the 13 regional OPs, resulted in the government finally adopting the Commission’s stance. To be sure, the issue continued to be a source of disagreement between the two parts after the decision to withdraw the legislation. On the one hand, the Greek government continued to try to find ways to deal with corrupt practices in the area of the tenders for participation in the implementation of physical infrastructure projects. The Commission, on the other hand, did not disagree with the basics of the law but was adamant that as it was presented it would contravene the basic principles of the legislation that deals with competition issues in the EU. This is why in the earlier mentioned decision that resulted in the forfeiting of €518 million, the Commission added the explicit requirement that the Greek government should introduce new legislation for the tendering of public contracts that would comply with Community law.

To summarise, the previous five subsections have attempted to discuss the main issues that provided the context under which each of the 13 regional and 11 sectoral OPs of the third CSF were implemented in Greece after 2004. The issues identified in these subsections,

---

419 CEC, 2006.
only served to exacerbate and reinforce the difficulties over the low rates of absorption that had been present in all the previous programming periods. Faced with these difficulties, the MAs resorted to constant revisions of the third CSF. In particular, the third CSF was revised four times between 2001 and 2007, the last revision being submitted to the Commission in the autumn of 2007. This latest revision represented a last minute attempt on behalf of the Greek government to absorb around €12 billion which were available in the summer of 2007. The officials of the Commission who were present in the CSF MC that took place in June 2007 once again stressed the need to hasten the rates of absorption.\footnote{ta nea, 27 June 2007.} At this time the possibility of Greece losing all the remaining funds was evident. The revision would once again divert funds from projects that did not ‘run’ to those whose absorption rates were better. The OPs with the worst rates of absorption were those of the environment (50%), culture (55%), transportation networks (55%), health and social welfare (56%), information society and fisheries (57.7%). Those priority areas would lose to other more easily executable projects. That would mean that the developmental objectives set out in the first version of the CSF would once again be sacrificed in order to achieve the requirement of the absorption.

Indeed, according to the latest revision of the third CSF, a significant part of the funds left over by the summer of 2007 would be diverted to small enterprises that could absorb the funds easily. These were flower shops, coffee shops, gyms and other enterprises that could be financed effectively and could absorb the funds before the end of the two year period.\footnote{ta nea, 19 June 2007.} Overall, around €500 million that should have been absorbed by the above-mentioned OPs would be provided to those small and medium-sized enterprises. At the same time, several individual projects that have been operating since the early phases of the third CSF had to be abandoned. As they would not cover the criterion of absorbing large sums of funds at the specified time, projects such as the psychiatric units that operated under the programme ‘Psyxargos’ were facing closure in late 2007.\footnote{ta nea, 16 Oct 2007.} As a result, around 405 units that aimed at the rehabilitation of patients with mental health problems were left without any investment and had to let go their employees who were receiving their salaries essentially through the
third CSF. Essentially, this is just one example of the difficulty that the Greek authorities faced in implementing with some degree of success the programmes of ‘soft’ actions that were designed as part of the third CSF. This is a reflection of a broader structural weakness on the part of the Greek state, concerning the problems that the Greek economy is facing when it comes to the provision of social and educational infrastructures.

Furthermore, the wildfires that plagued Greece during the summer of 2007 and the elections that took place in the autumn of this year were used by the government in order to find ways to absorb the remaining funds from the third CSF. The Secretary General responsible for the management of the third CSF elaborated the concept of ‘force majeure’ that was included at the Appendix of the regulations governing the EURP. Thus, he managed to convince the Commission that the planned deadlines for the closure of the programme should be extended. Domestically, this was presented as a major success on behalf of the Greek government. Characteristically, in the aftermath of the fires the Prime Minister, Costas Karamanlis, announced a series of ‘special programmes’ for the assistance of those who were heavily affected by the fires. He triumphantly announced plans for the reconstruction of the areas caught in the fires in the region of the Peloponnese. In reality, what he was promising was the implementation of projects that were to be financed by the third CSF in the area and so in theory would have been done in any case. The changes would be incorporated in the reorganised CSF that was submitted to the Commission in the autumn of 2007.

In the final stages of the fieldwork – in the summer of 2008 – the Commission agreed to extend the implementation of some of the sectoral and the regional OPs that were to be implemented in Greece until the end of 2009 in accordance with Articles 14(2) and 30(2) of the 1260/1999 Council Regulation. Because of the fires of 2007, it practically cancelled the ‘n+2’ rule for four regional OPs (Western Greece, Peloponnese, Continental Greece and Attica) as well as certain sectoral OPs provided that the national authorities could indicate that some of the interventions that they covered had been directly and significantly affected.

---

423 Mousourouli, 2010, pp.160-169 describes the negotiations that lead to this decision.
424 CEC, 2008; CEC, 2009.
by the wildfire. The Greek government announced this development with a press release on 30th June 2008. This extension would involve around €1,374 billion so it would in practice extend the date of the completion of the majority of the projects until the end of 2009.

To be sure, there is little doubt that all these efforts on behalf of the Greek government to achieve the extension of the third CSF resulted in the prevention of losing significant funding that benefited the national economy substantially. In any case, the revision of the CSF as a whole and of specific OPs does not go against the regulations that govern the operation of the structural funds. According to those, the revision of a programme is acceptable if the socioeconomic context requires so. Nonetheless, the extensive deployment of this part of the regulations has done little to allow the other operational principles –programming, monitoring, evaluation, etc- to affect the manner in which the domestic authorities administered the plans. Instead, the overriding principle that has guided the third CSF was the same as with the others; the absorption of the available funding at a time that would not allow the Commission to de-commit funds and with little consideration for any of the principles or the management tools that would be able to alter the administrative practices of the relevant institutions and/or provide significant spillovers to the wider public administration.

5.6 Conclusion
Chapter 5 attempted an overview of the practical problems that the domestic authorities faced during the process of the implementation of the EURP in Greece. It started with an elucidation of the main parameters of the problems that the EURP was meant to solve, described as the country’s ‘regional problem.’ In the next section, I provided a description of the operational frameworks as designed in the country, followed by a discussion of the problems identified in the first three programming periods. These have constituted the legacy that was left for the third CSF, the main operational parameters of which were described in the section after that. The main issues that hindered the implementation of the third CSF in an effective way were discussed in the penultimate section. This was further

divided into five subsections focusing on five different issues that provided the context in which the sectoral and the regional OPs were implemented in Greece.

The overall conclusion that can be reached from this chapter is that there has been continuity in all rounds of coordinated structural assistance in Greece. The financial priorities decided at the stage of the design of the policy remained more or less unchanged throughout the three CSFs, and the problems identified at the stage of the implementation of the policy also remained similar. In the third CSF these do not seem to have improved with a series of domestic administrative and political issues hindering the execution of the programme in a developmental manner. The next chapter attempts to provide a more thorough answer to the research question posed in the thesis by focusing on the institutional relationships that have developed in the framework of the EURP in Greece.
Chapter 6. The interaction between the coordinating and interactive capacities of the Greek state and the institutional requirements of the EURP

6.1 Introduction

The current chapter focuses on the institutional issues that affected the implementation of the EURP in Greece. The main empirical aim is to illustrate the fact that the principles governing the operation of the structural funds and the management tools implicit in them became integrated in previously existing institutional arrangements for the implementation of similar policies. Hence, although there were important changes in the field of policy orientation, the regulatory framework that accompanied the execution of the programmes did not substantially alter previously established patterns of state-society interaction in this particular policy field.

In order to illustrate these arguments the discussion in the remaining sections revolves around two topics. On the one hand I discuss the institutional changes that took place as a direct result of the introduction of the principles governing the operation of the structural funds. Simultaneously I also discuss the institutional changes which took place at the domestic level after reforms that altered the territorial geography of the country and influenced the implementation patterns of the programmes funded through the EURP. Although the regulatory framework imposed by the principles is common to all the member states, the implementation patterns of the policy are very much affected by the domestic institutional arrangements. This is because:

In each member state, national governments and sub-national actors have different degrees of participation in decision-making and power. This reflects factors such as the distribution of competencies between national, regional and local level, political interests and linkages; the amount and scope of co-funding available, the number and scope of programmes to be dealt with at that level and administrative experience of managing economic development. It follows that practical arrangements for programming also vary, including the approaches to programme developments, project generation, appraisal, selection and monitoring and the extent to which these tasks are subsumed within the existing administrative structure or
whether parts of the implementation are carried out by dedicated administrative structures and how these are organised.  

The next section provides a discussion of the institutional arrangements that were in place for the implementation of regional development policies before and immediately after the introduction of the first IMPs in 1986. The section following it focuses on the institutional changes that took place as a result of the consolidation of the four principles governing the operation of the structural funds after the reform of 1988 and the implementation of the first two rounds of CSFs. Then, in the section after that, the substantial administrative changes that were incorporated into the rules that govern the operation of the third CSF for the case of Greece are discussed. The penultimate section attempts to link the issues identified in the previous sections with the conceptual framework that I employ in the thesis. The last section concludes.

6.2. Regional development policies and institutions before and after the IMPs

The Greek state has been involved in managing socioeconomic activity throughout the post World War II period. Since 1960 there have been at least six five-year development plans, which aimed to provide a blueprint for the economic development priorities of the country. However, the focus was largely on national objectives, and any elements of a regional nature would end up becoming incorporated into the national developmental policy. In addition, no institutional changes took place in relation to the authorities responsible for the management of the regional development resources. For example, the nine development agencies established in 1977 were endowed with responsibility for administering the implementation of a system of incentives, but only for small scale projects. In addition, they were never consulted nor did they participate in decisions concerning developmental issues, even if these affected their areas. Therefore, the formulation and administration of public investment programmes with a regional

---

426 OIR in association with LRDP and IDOM, 2003. A more detailed investigation along similar research parameters is provided by EPRC, 2009.
430 ibid.
431 ibid.
dimension remained under the control of the centre. 432 These programmes mainly consisted of individual projects of public works and politically they were pursued through the clientelistic interchange of local politicians with the central government. 433 The regional development authorities could only request public works projects and hope that what they had to offer to the central state in clientelistic terms – that is, votes and favours – could guarantee them being considered. 434

In terms of the territorial distribution of competences, after the restoration of democracy in 1974 there were two levels of sub-national government: firstly, at the level of the prefecture, which was an extension of decision making of the central state; and secondly, at the first level of local self government. 435 The latter were very small communes and municipalities which enjoyed high levels of local political legitimisation 436 but were so fragmented that any coordination between them was very difficult. Overall, at the time: the pressing political priority was to restore constitutional legitimacy; no serious attempts were made to reform the spatial model of public administration. 437

On the whole, the Greek state has traditionally been centralised in the way that it has managed its territorial capacities; 438 indeed for some commentators it is the most centralised state in Europe, 439 and it has been so since its establishment in 1830. 440 Reflecting the general difficulty of the Greek state to allow the articulation of interests emanating from civil society but also the lack of bottom-up demands of the kind discussed in chapter 3, regional interests have traditionally struggled to obtain governmental resources in order to achieve their objectives. As a result, Greece has traditionally had ‘a maximum national and a minimum sub-national apparatus.’ 441

---

432 ibid.
434 Chlepas, 1999.
437 ibid.
440 Ioakimides, 1996; Chlepas, 1999; Andreou, 2006.
441 Papageorgiou and Verney, 1993.
The election of the first PASOK government in 1981 was followed by the first substantive steps towards the decentralisation of the regional authorities. At the time the main authorities at the sub-national level were the 55 prefectures, with the prefect being appointed directly by the central government and in particular by the Ministry of the Interior. Therefore, although in theory there was regional autonomy in the form of the prefectures, in practice it was constrained by the fact that the representatives were not democratically elected by the local population. At the same time there were around 6,000 Local Government Authorities (LGAs) labelled as municipalities and communes, of which 56% had fewer than 500 inhabitants and 83% had fewer than 1,000 inhabitants. This was the result of the Greek central state’s need to satisfy local parochial interests. Thus, the design of the local authorities was anti-developmental since the coordination of the actions of such a large number of LGAs was particularly difficult. The situation was exacerbated by the lack of skilled personnel in the LGAs, which have traditionally been used for the appointment of a local labour force via clientelistic interchanges and without any considerations for their training or organisational position. As far as the regional classification was concerned, there was no official regional territorial distribution. To be sure, each central government Ministry would unofficially devise its services in regional terms. Nonetheless, there was no constitutional authorisation of this distribution and each Ministry would devise its own regional classifications. Furthermore, the classifications employed were mostly different with each other depending on the individual administrative needs of each government ministry.

PASOK embarked on a programme of extensive decentralisation, providing the sub-national authorities with significant responsibilities. In the years that followed, the powers of the LGAs were enhanced, though to a much lesser extent than expected. More significant were the changes that took place at the level of the prefectures. Responsibilities for issues like town planning, health and education were transferred to those with a Law

---

442 Georgiou, 1994a.
444 Psychopaidis and Getimis, 1989.
446 Andreou, 2006
that specified these changes in 1982. The prefecture councils were introduced with this Law and endowed with responsibilities for issues of local economic development. They would have the right to propose public works programmes to be built in their prefecture as well as to decide on budgetary matters. They were comprised of members of local civil societies such as agricultural cooperatives, trade unions and chambers of commerce. Nonetheless these were not democratically elected authorities but were appointed by the central government. Furthermore, the decentralisation was not accompanied by any transfer of fiscal and administrative resources that would endow the prefectures with the infrastructure necessary for their effective operation. Also, through the introduction of these sub-national institutions PASOK mainly aimed at establishing a sufficient power base at the local and regional levels that would mainly cater for the clientelistic needs of the respective electorates. Overall, these changes in the territorial relations of the Greek state were entirely inspired by domestic considerations. The participation in the EC did not feature at all as a justification for these developments. If anything, as Andrikopoulou and Kafkalas put it:

the shift was based on the anti-European rhetoric, which emphasised national pride and national autonomy against the so-called European Economic Community (EEC) directorate.

This is not the case, however, when it comes to the institutional developments that influenced the implementation of national regional development policies after 1986. The introduction of the IMPs in 1986 required the establishment of the regions as a precondition for the absorption of the funding; hence it was a direct result of the participation in the EURP. Nevertheless, as mentioned above, no regional classification of the type that the Commission required existed in Greece; hence the country was initially divided into six areas. Finally, after the submission of the first IMP the country was divided into the 13 administrative NUTS II regions, which became the territorial basis for the formulation and implementation of the CSFs in all subsequent programming periods. Each region would be

450 Ioakimides, 1996; Andreou, 2006.
headed by a Government appointed regional secretary and would be staffed by civil servants on secondment from the national administrative structures.

The regional secretary was an employee of the Ministry of the Interior, usually a member of the party political personnel who are used in order to staff the wider echelons of the administration every time there is a change of government. All the competences that were transferred to the region would be controlled by the regional secretary, who therefore had significant decision making authority. These competences were transferred to the new regional authorities from the previously existing and separate ministerial regional authorities. In terms of the financial resources that the newly created regions had at their disposal, the regional secretary would be responsible for the drawing-up of the regional budget. However, they did not have any authority to collect funds from local taxation or other measures that would indicate a decentralisation of the fiscal system. Instead, they had to submit the proposals to the Ministry of Economy, which would allocate the funding through the Public Investment Programme (PIP). The new regions would essentially amalgamate the existing prefectures into larger geographical entities, which would be entitled to receive funding in accordance with the population criteria set out by the Commission and the principle of concentration. Essentially, in the new NUTS II regions the centrally appointed regional secretary would play the role of representative of the central government.

Furthermore, it is worth pointing out that even though the legislation for the creation of the NUTS II regions was introduced in 1986 it was not fully implemented until 1997. Therefore, during the first three programming periods – the IMPs and the first two CSFs – the regional authorities had no responsibility other than the management of the regional OPs. Even these, however, were halted by the fact that the introduction of the NUTS II regions as a requirement for the implementation of the first IMP’s was not accompanied by

453 ibid.
456 Interview A-8; Psycharis and Simatou, 2003; Petrakos and Psycharis, 2006.
457 Andreou, 2006.
any transfer of administrative or financial resources to the regions. Moreover, another interesting aspect of the whole process is that despite the institutionalisation of the regional authorities, the central governmental ministries continued to operate decentralised agencies at the regional levels albeit fewer than before 1986. Thus, apart from the difficulties that the regions faced because of the lack of decentralisation of resources, the central government refused to cede its authority on a series of issues; hence further undermining the regions.

Overall, the creation of the 13 NUTS II regions cannot be explained in organisational terms. Out of the 13 newly established regions, 11 did not even satisfy the population criteria set out by the Commission. It was particularly convenient though for the governing party as a way of retaining its power base at the sub-national level. Therefore, the motivation behind the creation of the regional authorities as they were structured has been similar to that behind the creation of the above-mentioned prefectures, the structure of which the government chose to replicate. A further proof for the last point is provided by the fact that together with the regional authorities, the Government introduced centrally appointed regional councils, which consisted of representatives of the central and the local governments. In addition to elected officials these were comprised of representatives of civil society institutions such as trade unions, chambers of commerce, industry and professional organisations. Nevertheless, as in the case of the staff of the regional authorities, the members of the regional council were appointed by the central government. This fact made them susceptible to the influence of the party in power, which has been the main motivation behind the formulation of these institutions without any regional and local democratic legitimacy. The distribution of the functions of the four levels of government that were created by the legislation of the time is presented in Table 6.1.

460 Chlepas, 1999.
462 Chlepas, 1999; Psycharis and Simatou, 2003.
463 Andeou, 2006.
Table 6.1. Distribution of functions by level of government in Greece

<table>
<thead>
<tr>
<th>Policy Areas</th>
<th>National Government</th>
<th>Regional Council</th>
<th>Prefectural Council</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRADITIONAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law and Order, Public Admin.</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Affairs, Defence</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary Policy</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Trade, Fiscal Policy</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statistics, Media, Communications</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ECONOMY-SECTORS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, Fisheries</td>
<td>XX</td>
<td>X</td>
<td>XX</td>
<td></td>
</tr>
<tr>
<td>SMEs</td>
<td>XXX</td>
<td></td>
<td></td>
<td>XX</td>
</tr>
<tr>
<td>Commerce, Trade, Markets</td>
<td>XXX</td>
<td></td>
<td></td>
<td>XX</td>
</tr>
<tr>
<td>Tourism</td>
<td>XX</td>
<td></td>
<td>XX</td>
<td>X</td>
</tr>
<tr>
<td>Banking, Insurance</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment, Industrial Relations</td>
<td>XXX</td>
<td></td>
<td></td>
<td>XX</td>
</tr>
<tr>
<td>Economic Planning</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOCIETY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>XX</td>
<td></td>
<td>X</td>
<td>XX</td>
</tr>
<tr>
<td>Health-Welfare</td>
<td>XX</td>
<td></td>
<td>XX</td>
<td>X</td>
</tr>
<tr>
<td>Social Services</td>
<td>X</td>
<td>XXX</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Social Insurance</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture, Leisure</td>
<td>X</td>
<td></td>
<td>X</td>
<td>XX</td>
</tr>
<tr>
<td><strong>TERRITORY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Planning</td>
<td>X</td>
<td>XXX</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Urban Planning-Housing</td>
<td>X</td>
<td></td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Public Works</td>
<td>X</td>
<td></td>
<td>XXX</td>
<td>X</td>
</tr>
<tr>
<td>Public Transport</td>
<td>XX</td>
<td></td>
<td>XX</td>
<td>X</td>
</tr>
<tr>
<td>Roads</td>
<td>XX</td>
<td></td>
<td>XX</td>
<td>X</td>
</tr>
<tr>
<td>Water and Sewage</td>
<td></td>
<td></td>
<td></td>
<td>XXXX</td>
</tr>
<tr>
<td>Energy</td>
<td>XXXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>X</td>
<td></td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

Note: X’s denote the responsibilities that each territorial level enjoys. Source: Paraskevopoulos, 2001
What becomes obvious from this Table is that the regional councils were not endowed with significant functions. Actually, most of the functions remained a prerogative of the central state whilst the ones that were decentralised would be shared by the other two tiers of local governance, the municipalities and the prefectures. Furthermore, the limited responsibility of the local councils is clear, as it does not have sole responsibility for any area apart from ‘water and sewage’.

The introduction of the IMPs was followed by the introduction of the four principles after the Reform of the Structural Funds in 1988. This provided an extra impetus to create the regional authorities, since it became clear that the Commission – through the introduction of the principle of partnership – viewed the issues of local and regional development interchangeably with those of political and administrative decentralisation. The rationale was that by devolving responsibilities to local political actors, the endogenous socioeconomic forces would become involved and this would promote local development.\(^{464}\) Judging from the above, it emerges that the Greek government adopted the measures that would convince the Commission that it viewed these pressures as reasonable. Nevertheless in reality through the retaining of the control of the regional councils it created an additional layer of administration that would be staffed by local representatives of PASOK and would stifle any bottom-up democratic practices that would give real meaning to the principles of subsidiarity and partnership.

Finally, as far as the institutional changes that took place after the introduction of the IMPs are concerned, the Monitoring Committees (MCs) were introduced. There would be one MC for each regional authority and they would be staffed by civil servants on secondment who would have no management role during the implementation process.\(^{465}\) They did not have any authority to impose sanctions on the final beneficiaries that were not performing according to the expectations and they could only suggest changes in the projects implemented to the central MC in Athens.

\(^{464}\) Leonardi, 2005.  
Overall, as discussed in chapter 5, the IMPs were worked out in a slow manner and the main aim became the absorption of the funds at a time that would allow the collection of the funding by the Commission.\textsuperscript{466} In institutional terms, what the regional policy department of the Ministry of National Economy essentially did was to take over the responsibility entrusted to the regional authorities. It formulated and submitted the proposals to the Commission and had the first and last word during the implementation process.\textsuperscript{467} This happened also because the administrative capacity of the regional authorities was weak to the extent that the proposals that the regional secretaries submitted in order to draw up a regional plan were of unacceptably low quality in technocratic terms.\textsuperscript{468} Similar issues were identified with regard to the prefectures. Moreover, the MCs were not endowed with sufficient resources and expertise to support their functions.\textsuperscript{469} Thus, the Ministry of National Economy employed this as an argument in order to seize the initiative and centralise the authority for the execution of the IMPs.

As a result of these factors, no endogenous socioeconomic actors were included in the process of both the design and the implementation of the regional IMPs, and the central state reaffirmed its predominant role in the selection of the projects that would alleviate the regional inequalities.\textsuperscript{470} This was the case despite the seemingly important institutional innovations introduced through the above-mentioned territorial reforms and aimed precisely at the inclusion of the local socioeconomic forces at all stages of the IMPs. The new regions that were introduced became administrative and planning regions that would satisfy the requirements set out by the Commission in order to start disbursing the funds of the IMPs. Despite their seemingly democratic nature that would be achieved through the institutionalisation of the inclusion of the local civil societies, in reality the establishment of the regions was a top-down affair. The local populations had little or no input in the whole process, thus making the efforts to promote successful state-society synergies untenable.

\textsuperscript{466} Papageorgiou and Verney; 1993; Georgiou, 1994b.
\textsuperscript{467} Ioakimides, 1996.
\textsuperscript{468} Interview A-8; Interview C-1.
\textsuperscript{469} Andreou, 2006.
\textsuperscript{470} Verney and Papageorgiou, 1993; Verney, 1994.
In terms of the relationships of the empirical material presented thus far for the conceptual framework, it becomes apparent that there was little scope for the development of ‘state-society synergies’ before the introduction of the IMPs. The central authorities did not allow any scope for participation by sub-national actors, whilst simultaneously the latter did not articulate relevant demands. The Greek regions in particular had very little input in the decision-making processes and the system of managing the meagre regional policies was highly centralised. The Europeanisation influences became particularly evident after the introduction of the IMPs and especially after the reform of the Structural Funds in 1988. However, the first evidence identified in the current section shows that the manner in which the preconditions established by the Commission were incorporated into the domestic administrative and political system did not alter the previously established patterns. The next section examines whether the initiation of the first and the second CSFs resulted in any changes in these patterns.

6.3. EURP and institutional changes in the first two CSFs

The institutional framework supporting the implementation of the IMPs did not change during the implementation of the first CSF between 1989 and 1993. The election of the ND government in 1990 signalled a halt to the previous government’s modest attempts to restructure the territorial relations of the Greek state. The new government cancelled the local government elections scheduled for 1990 – for both the prefectures and the LGAs – and did not take any other steps to enhance the role of independent regional and local authorities. As was seen in chapter 4, as far as the external influences exerted through the EURP were concerned, the principles of multi-annual programming, geographical concentration, additionality and partnership as well as a series of novel management tools, were consolidated with the reform of the Structural Funds, which took place in 1988, and they were put in practice with the first CSF. Therefore, the external stimuli of Europeanisation became even more important in this period.

472 Verney and Papageorgiou, 1993; Ioakimides, 1996.
473 Leonardi, 2005.
As a result of these principles, the government had to submit to the Commission a Regional Development Plan (RDP) that would entail the developmental priorities of the first CSF. This had to be drawn up in consultation with the regional and local actors involved in each regional and sectoral OP. After the CSF had been adopted, the national and regional authorities were required to revise the general developmental plans into specific Operational Programmes (OPs). The regional policy department of the Ministry of Economy and the Commission became involved in negotiations regarding the sharing of competencies and the institutional mechanisms that would support the programmes. Additionally, the projects that would become eligible to be included in the separate OP’s and their conformity with the stated developmental objectives of the CSF became a source of disagreement. Supposedly, these issues were resolved during the negotiations for the first CSF. However, the new ND government wanted to assert itself with the Commission and renegotiated many issues that had been decided by the previous PASOK government.

As was the case with the IMPs, the first CSF would be managed in collaboration between the Monitoring Committees (MC) of the Ministry of Economy and those of the regional and the sectoral OPs. The 13 regional and 12 sectoral OPs each had one MC, the size of which would be determined in accordance with the financial significance of each programme. Again, the sectoral monitoring committees would be staffed by civil servants on secondment from positions in the central bureaucracy. The regional monitoring committees would be staffed by civil servants from the prefectures and the local councils. In addition, representatives of the Commission and of specific interest groups representing the regional and national civil societies were included. The committee would meet twice a year in order to assess the progress and provide guidelines for the future of the implementation of the programmes. It also included a permanent secretariat which was responsible for the day to day matters relating to the OPs.

---
474 Andreou, 2006.
475 ibid.
476 ibid.
The chairs of the sectoral and regional MCs, who were the secretaries of the regions or the ministries and hence appointed by the central Government, would report to the central MC of the CSF, which was based in the Ministry of Economy. This consisted of the highest officials of the three levels of government. In other words, the national level was represented by the secretaries of the sectoral OPs, the regional by the secretaries of the regional OPs and the European level by representatives of the Commission. Also, representatives of organisations from the national civil society participated. The MC that would oversee the implementation of the CSF was chaired by the alternate Minister of Economy.

The Ministry of Economy’s regional policy department became the principal institutional actor implementing the CSF. The imperative of absorbing the funds at the stated time overrode any processes of collaboration between the central institutional actor and the regional and local stakeholders. As a result, there has been continuity between the previous efforts to address the regional inequalities in the country – including the IMPs – and the first CSF. This is corroborated by Leonardi who, as was discussed in chapter 3, distinguishes between three possible responses by the domestic administrative systems to the regulations postulated by the EURP: negation, adaptation and learning. He discusses the response of the Greek authorities in the first CSF as a characteristic case of negation.

The second programming period signifies some important changes in connection with the previous programming periods and the other meagre attempts to combat the ‘regional problem’ of the country. The RDP was negotiated between the regional policy department of the Ministry of Economy and the Commission during 1992 and 1993 but as with the previous programmes its implementation was delayed, and in this case it did not begin until 1996. By this time the modernising wing of the PASOK government had established an adequate power base to control the socialist party. In addition, in 1997 the country was

---

477 Ioakimides, 1996.
478 Andreou, 2006.
479 ibid.
480 Leonardi, 2005.
given the responsibility for hosting the 2004 Olympic Games. These two issues signalled a
turn towards the adoption of a different style of management of the second CSF.

In particular, the modernising wing of the socialist party was admittedly less interested in
the implementation of the EURP programmes in a manner that would promote local
democracy and would thus give real meaning to the requirement of partnership. Instead, it
was preoccupied with achieving the convergence criteria so that the country would enter
the EMU. As discussed in chapter 3, the country's entry into the final stages of monetary
unification acquired a special status in the Greek polity. It became associated not only with
the economic advantages that would accrue but also with the broader forces of
Europeanisation and modernisation and the need to establish the country at the heart of
Europe. Consequently, the new PASOK government imposed a style of management more
attuned to efficiency as measured in quantitative terms than to the qualitative impact that
the projects could have through the sectoral and regional OPs.\textsuperscript{481}

In terms of observable domestic institutional changes, there have been some significant
developments during the period of the second CSF which emanated directly from the
EURP. After the previous programming periods the Commission had identified a series of
problems related to the domestic political landscape. In particular, the funding coming from
the structural funds had become politicised, with the two main parties bidding for the title
of the best protector of regional interests in the public discourse.\textsuperscript{482} The clientelistic
interchanges amongst the three levels of government were identified, as was the low
capacity of the regional authorities – and to a lesser degree the central as well – in terms of
human capital.\textsuperscript{483}

As a solution, the creation of administrative structures with as much independence from the
central bureaucracy as possible was promoted by the Commission.\textsuperscript{484} As a Commission
employee\textsuperscript{485} put it:

\textsuperscript{481} Paraskevopoulos, 2008.
\textsuperscript{482} Andreou, 2006.
\textsuperscript{483} ibid.
\textsuperscript{484} Interview E-4, Interview E-5.
At the time we understood that the Greek public administration was more or less not ‘reformable’ and we had to create a parallel administration alongside the core civil service that would run the structural funds.

These agencies would operate as semi private organisations with the ability to attract personnel from the private sector. Their main contribution would be the promotion of transparent practices that would assist the speeding of the absorption rates and the minimising of complex bureaucratic procedures at the selection stages of the projects. This process became a central component of the strategy developed by the Commission in order to improve the institutional performance and hence the implementation outcomes of the Greek CSF and there was considerable insistence on the part of the Commission for the new authorities to be as independent by the core civil service as possible. The short term objective was to bypass the rigidities and problems of the core public administration in the implementation of the projects funded through the structural funds so as to hasten the rates of absorption and improve the qualitative impact of the policy. By doing that it was hoped that in the long run, sufficient spillovers would be generated from the implementing institutions of the EURP that would have a positive impact on the core public administration of the country.

Thus, four independent management and monitoring organisations were established, all based in Athens: the Management Organisation Unit (MOU), the Hellenic Centre for Investment (ELKE), the Joint Steering Committee for Public Works (MEK) and the Expert Agent for the Sampled Quality of Infrastructure Projects (ESPEL). The first organisation was established with the aim of providing advice, administrative tools and expertise to the regional and the sectoral managing authorities and implementation agencies. ELKE aimed to improve the attraction of private capital in the projects to be implemented so as to advance the rates of national participation, which had been one of the main problems identified in the two previous programming periods. MEK and ESPEL were endowed with the task of overseeing the procedures that were followed during the construction of projects.

---

485 Interview E-5.
486 Interview E-4; Interview E-5; Mousourolis, 2010.
487 Interview E-4; Interview E-5.
488 Lalioti, 2002.
489 More on MOU below.
related to the improvement of the physical infrastructure. MEK in particular was created as a sub-committee of the central monitoring committee of the CSF in the Ministry of Economy with the jurisdiction of overseeing the system that was employed in order to produce the public works.\textsuperscript{490} As identified in chapter 5, this system has suffered as a result of chronic insufficiencies that more often than not led to corrupt practices. The introduction of the innovative methods of co-financing of public works and the improvement of the regulatory framework that governed the process of selection of projects of physical infrastructure improved the physical outcomes of the OPs for public works as was shown in chapter 5. This has left a significant endowment of first class projects like Attiko Metro and the ring road of Attiki Odos which significantly changed the capabilities of the capital. These improvements can largely be attributed to MEK and ESPEL although the problems were far from extinct. ESPEL had an auditing role and was endowed with the responsibility to examine the quality of the public works for physical infrastructure.

The creation of these four organisations was the result of the Commission’s ‘stranglehold’\textsuperscript{491} which was adamant that this was the right strategy for the improvement of the domestic capabilities. However, as was discussed in chapter 3, similarly to most cases of EU induced reforms, these new institutions were met with considerable resistance from the existing civil service of the country. Particularly, the employees of the Ministry of Economy felt threatened that their hegemonic position in the EURP would be challenged through MOU and were amongst the first to react.\textsuperscript{492} Also, ESPEL’s operation was met with considerable resistance both from the part of the civil service that implements projects of physical infrastructure and the professionals who did not accept that their physical output should be evaluated in such detail.\textsuperscript{493} Overall, this strategy was deemed as a ‘failure’ from the abovementioned Commission employee who admitted that the reactions of the core civil service to the operation of these agencies was so strong that in the third CSF they had to admit that the MIS should be incorporated in the established administration. I return to this issue later.

\textsuperscript{490} Paraskevopoulos, 2008.
\textsuperscript{491} Mousouroulis, 2010.
\textsuperscript{492} Lalioti, 2002; Andreou, 2006; Mousouroulis, 2010.
\textsuperscript{493} Mousouroulis, 2010.
In addition to the introduction of these agencies a number of special bodies were set up in order to improve the effectiveness of EURP management. These organisations would operate in parallel to the central public administration sometimes as private companies.\textsuperscript{494} Again the objective of the Commission was to sidetrack the rigidities of the Greek civil service and to promote the more effective and transparent implementation of major projects of infrastructure\textsuperscript{495} which as was shown in chapter 5 has taken the lion’s share of the funding in all the programming periods. Thus a number of Sociétés Anonymes (SA) was established –Egnatia SA, Attiko Metro SA and others- with the exclusive responsibility to organise and build the major projects that were part of the second CSF.

Moreover, a series of reforms promoted by the Greek government after 1994 further contributed to the territorial reorganisation of the Greek state, hence the patterns of implementation of the second CSF. In 1997, Law 2503/97 on the ‘Organisation and Management of the Regions’ provided further responsibilities to the NUTS II regions in the areas of planning, preparation and execution of programmes of economic development, and social and cultural affairs. Essentially, this was putting into practice the 1986 Law that had introduced the regions and as was mentioned above had not been fully implemented.\textsuperscript{496} Again these reforms sought to establish regional and local authorities which were insulated from central political interference.

Furthermore, in 1994 a new law established local elections for the leaders of the prefectures and the prefecture councils. The re-elected government of PASOK reinstated the reforms that it had introduced in the 1980s to reorganise the territorial balance of power between the levels of Government. Therefore, for the first time in modern Greek political history the local populations would have the opportunity to choose their representatives at the local level democratically. The prefecture councils were comprised by members of the civil societies representing each prefect and were also elected. Nevertheless, this movement towards decentralisation was accompanied by the transfer of resources to the non-elected regions whilst the elected prefectures would continue to be financially dependent upon the

\textsuperscript{494} EPRC, 2009.  
\textsuperscript{495} Interview E-4, Interview E-5.  
\textsuperscript{496} Petrakos and Psycharis, 2006.
central state.\textsuperscript{497} Additionally, there was confusion about the responsibilities that the prefectures actually had. As is shown in Table 6.1, they shared many responsibilities with the central government, which created administrative overlapping and problems.\textsuperscript{498}

Finally, at the lowest territorial level, that of the LGAs, the government attempted to modernise the system of local government by amalgamating municipalities and communes. As mentioned above, there were 6,000 independent LGAs, which in financial and administrative terms were unsustainable. Therefore, with Law 2539/97 on the ‘Reform of the First Level of Local Authority’ the number of the municipalities was reduced to around 1,000 and some competences were transferred from the central state to the newly created LGAs. This was the ‘Kapodistrias’ plan, which provided for the obligatory mergers of the local communes. The plan came under extensive opposition in certain localities that did not wish to lose any components of what they considered to be their local identity.\textsuperscript{499} However, the ‘Kapodistrias’ plan was supported by the two associations that represent the elected local authorities – the Central and Local Associations of Municipal and Communal Authorities, KEDKE and TEDK respectively.\textsuperscript{500} Therefore, it was put into practice even though it did not cater for the main problem that the local authorities face, which was the lack of power to collect financial revenue through taxation.

To be sure, in a later stage of the reforms introduced through the ‘Kapodistrias’ plan, the amended Constitution of 2001 for the first time allowed the LGAs to collect local taxation that would finance their activities.\textsuperscript{501} However, this ended up covering a very small percentage of the LGAs’ total expenses with the majority of the funding still arriving through the central state.\textsuperscript{502} The changes in the territorial distribution of powers in the Greek state are summarised in Table 6.2, which provides an outline of the institutional developments that took place at the governmental level concerned with the administration of the CSFs.

\textsuperscript{497} Psycharis and Simatou, 2003.
\textsuperscript{498} ibid.
\textsuperscript{499} Koutalakis, 2003.
\textsuperscript{500} ibid.
\textsuperscript{501} Psycharis and Simatou, 2003.
\textsuperscript{502} ibid.
### Table 6.2. Tiers of Local Government and decentralised structures in Greece

<table>
<thead>
<tr>
<th>Tiers of Local Government</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality and Communes</td>
<td>First tier of self government (Local NUTS V tier). 1033</td>
</tr>
<tr>
<td></td>
<td>• Fully elected</td>
</tr>
<tr>
<td></td>
<td>• Underwent drastic amalgamation in 1999 through the ‘Kapodistrias’ plan. 5825 municipalities and communes (438 and 5387 respectively) became 1033 municipalities and communes (900 and 133 respectively)</td>
</tr>
<tr>
<td>Prefecture</td>
<td>Second tier of self government (prefectural NUTS III tier)</td>
</tr>
<tr>
<td></td>
<td>51 prefectures grouped into 50 self government organizations</td>
</tr>
<tr>
<td></td>
<td>• Led by a single Prefect appointed by the central government until 1982</td>
</tr>
<tr>
<td></td>
<td>• Increased participation with appointed members in the Prefectural Council established in 1982. The Prefect remains appointed by the central government.</td>
</tr>
<tr>
<td></td>
<td>• Since 1994 fully elected tier of self government.</td>
</tr>
<tr>
<td>Region</td>
<td>Third tier of decentralization (regional NUTS II tier)</td>
</tr>
<tr>
<td></td>
<td>13 Regions</td>
</tr>
<tr>
<td></td>
<td>• Non-existent until 1986</td>
</tr>
<tr>
<td></td>
<td>• Legislated in 1986 but did not fully function until 1997</td>
</tr>
<tr>
<td></td>
<td>• Fully functional since 1997 with a Secretary General appointed by the central government and appointed members of the Regional Council</td>
</tr>
</tbody>
</table>

Source: Petrakos and Psycharis (2006)

On the whole, the ways in which the implementation of the second CSF influenced the Greek state reveal a contradictory picture. On the one hand there were indisputable institutional innovations that took place, promoting decentralisation and improving the effectiveness of the management of the programmes. The new governmental structures could provide effective and high quality support to the official management and monitoring structures of the regional and sectoral OPs. Moreover, the fact that the NUTS II regions were finally consolidated with the competences and financial resources decided in the 1986 legislation was a step towards the inclusion of the regional populations in the implementation processes of the CSF.
Additionally, the election of the prefectures and the amalgamation of the LGAs could provide channels for local actors to participate in all stages of the regional OPs and hence significantly improve the input provided by the Intermediate Bodies and the final beneficiaries. Moreover, the creation of methods of public private participation in the public works, which were discussed in chapter 5, have improved considerably the final beneficiaries’ participation in the field of projects of large scale infrastructure by improving the incentive structures in which they could operate. The successful implementation of these projects has been directly if not wholly the outcome of this innovative method of coordinating the actions of the public and private sector.

Nevertheless, the fact that it took the central government ten years to endow the regions with the responsibilities established by the structural funds regulations provides an example of the central state’s reluctance to lose any of its powers and successfully move towards the direction indicated by the EURP regulations. Furthermore, even this process of consolidating the region’s competences can be seen as an attempt on the part of the Greek central government to replace the power that it enjoyed at the local level through the prefectures with the regions. As a study initiated by the Commission for the implementation of the principle of partnership in the member states shows:

There is in Greece an emerging deconcentrated structure which, however, co-exists alongside a more centralised system of control and centralised operational service delivery…the regional secretaries exercise the regional element of the central government.

As far as the implementation of the principles for improving the administrative performance of the relevant authorities is concerned, the impression given by those interviewees who participated in the management of the programme was that there was hardly any discernible impact on the administrative capacities of the Greek state as a result of the second CSF. As one of them put it:

Basically there was no second Community Support Framework [in terms of administrative compliance with the Structural Funds regulations] in Greece. Not only did the CSF finish late but the implementation timetables of the OPs as they

503 Andreou, 2006.
504 Tavistock Institute, 1999.
505 Interview C-1; Interview A-8; Interview B-1.
were initially agreed were not enforced, whilst the developmental objectives were
not achieved even to the slightest degree.\textsuperscript{506}

Moreover, the above-mentioned general turn towards managerial efficiency is indicated by
the participation of private consultancies in the implementation processes of the projects,
which took place during this period for the first time. Even at the stage of the formulation
of the RDP, around 36 consultancies participated in the process.\textsuperscript{507} It is clear that
incorporating the private sector into the process of the implementation of the CSF is
conducive to improving the manner in which the principle of partnership would be
implemented. That is to say, it did provide a channel for the inclusion of the private sector
at every stage of the CSF. Nevertheless, the fact that these private companies were
essentially undertaking work which was the responsibility of the central civil service, as
well as the fact that they were chosen in order to assist the central bureaucracy rather than
the sub-national authorities provides an indication of the turn towards managerial
efficiency. Most importantly, however, it shows the limited effect that the introduction of
the funds had in administrative terms since the state has devolved the responsibility to
improve its capacities by outsourcing the challenges that it was facing. As an interviewee
who participated in the management of the second CSF from a senior position in the then
Ministry of National Economy pointed out:

\begin{quote}
The public sector was simply unable to carry out the organisational and institutional
changes needed in order to implement the programs. The solution they found was to
outsource to private consultancies almost all the technical duties and the preparation
of studies that they themselves were supposed to carry out. This is the main reason
behind the unprecedented expansion of the consultancies sector in Greece during
the 1990s. Certainly, that was not something allowed by the Regulations of the
Structural Funds, which explicitly stated the strong role that the national and sub-
national authorities were supposed to play in implementing the programmes. The
solution that they found, however, was to use the funds that became available after
1994 through the Operational Programme for Technical Assistance in order to
employ private consultancies. Hence, the private consultancies were bringing to the
public sector the know-how that it should have had but it did not and of course
assisted tremendously in the execution of the programmes. This situation more or
less stopped after 2000, but what happened was that the consultants who worked in
this capacity during the first and second CSFs are now employed by the Managing
Authorities of the third CSF, the Prefectures and the Local Councils.\textsuperscript{508}
\end{quote}

\textsuperscript{506} Interview B-1.
\textsuperscript{507} Ioakimides, 1996.
\textsuperscript{508} Interview C-1.
Furthermore, the inclusion of the private sector through the consultancies reinforced the importance of the central government in the management of the funds. This is so because the private companies would mainly deal with the Ministry of Economy, which once again strengthened its position. Most importantly, however, the prevailing attitude of ‘contempt’ on the part of the Ministry of Economy towards the abilities of the sub-national authorities to participate in the implementation of the second CSF in equal terms hardly changed during this period. Even at the formulation stage of the programme the central government had decided on the amount of funds that would be directed to each region. Despite this, it invited the input of the regional authorities, which in the end was completely disregarded since around 60% of the proposals that the regional authorities submitted were either rejected or significantly modified. The above-mentioned study initiated by the Commission admits that the instigation of the principle of partnership had limited effects on the regional structures. As the study points out:

the most important aspect of partnership in Greece has been the partnership between the Commission and the member states.  

Similar results are drawn from a former employee of the DG Regio who became the General Secretary for Investment and Development in the Greek Ministry of Finance in 2004. He points out that there was hardly any discernible impact in the operational procedures followed in the Greek CSFs until 2004 and that the domestic authorities’ attention was focused on only one aspect of policy implementation. Absorbing the funds at the time that would not allow the Commission to de-commit any money became the overriding operational objective of the three programming periods.

Nonetheless, the importance of institution building that took place during this period cannot be disregarded. Given the insignificant institutional changes that had occurred in the area of regional development policies until the mid 1980s, the introduction of the autonomous agencies for the provision of bureaucratic backup as well as the territorial reorganisation of

---

509 Ioakimides, 1996.  
510 ibid.  
511 ibid.  
512 Mousouroulis, 2010.
the country is very important.\textsuperscript{513} Indeed, the embedded sclerosis of the Greek state would mean that it would be difficult for the next government to reverse these institutional changes.

In terms of the relationships between the institutional developments of the first two programming periods and the conceptual framework, elements of both change and continuity can be identified. There is little doubt that certain important institutional innovations took place in the second CSF, which indicates the significant effects of Europeanisation as a result of the reinforcement of the principles of the EURP. Institutions that would be independent from the central administrative structures were established and the ‘Kapodistrias’ plan promoted the establishment of democratically elected local authorities. Both these forces signify a move towards the establishment of institutional structures that would strengthen the internal and the interactive capacities of the Greek state. The former institutional changes would insulate the bureaucratic authorities that would participate in the implementation of the programmes from the central political developments and the latter would promote better ‘state-society synergies’. Nonetheless, these changes were accompanied by continuity as far as the hegemonic role of the central state authorities was concerned. The regional policy department of the Ministry of Economy continued to be condescending towards the sub-national authorities, this time by stressing the perceived inefficiencies and incompetence of the latter.

Certainly, the latter did not take advantage of the opportunities presented by the establishment of the decentralised structures and the reinforcement of the principle of partnership.\textsuperscript{514} Finally, the apparent sabotaging of the MIS’s operation from the established public administration also confirmed the problems that the Greek state has faced in internalising EU induced reforms that would improve its operational impact. As was seen above, the Commission’s intention was to bypass the rigidities of the established public administration through creating the MIS. However, the core civil service did not accept this situation and was far from helpful in the initial steps taken by the MIS.

\textsuperscript{513} Paraskevopoulos, 2008.
\textsuperscript{514} Paraskevopoulos, 1998.
6.4. EURP and institutional changes in the third CSF

In this section I aim at identifying the extent to which the initiation of the third CSF signalled the continuation of the previously established patterns of institutional relationships. During this period there were no further domestic reforms in the reformulation of the political geography of the country. Hence, the territorial and political context in which the programmes of the third CSF were implemented remained the same as described in Table 6.2. Nevertheless, this is not the case with the institutional developments that emanated from the EURP. The reform of the Structural Funds in 1999 and the increase in financial resources that became available from the EURP for Greece provided a further impetus towards the Europeanisation of the domestic administrative system in this particular policy area. In particular, in institutional terms the reforms initiated with the 1260/1999 regulations entailed the creation of the organisational scheme described in subsection 4.4 and applied to all the recipient countries. For Greece this entailed managing and paying authorities and the strengthening of the processes of monitoring, evaluation and control. In practice, the reforms initiated through this legislation entailed either the strengthening of the arrangements made in the previous three programming periods or the creating of new institutional structures.

Broadly, the institutional network created in order to support the design and implementation of the Greek third CSF comprised five interrelated organisations: the Managing Authorities (MA), the Monitoring Committees (MC), the Payment Authority (PA), the Committee for Fiscal Control and the Management and Organisation Unit (MOU), which was discussed above. The institutional authorities involved in all the stages of the third CSF and their interrelationships are described in the Figure 6.1 at page 227. MOU is not included in the figure since its operation was outside the everyday implementation of the programme.

It must be noted that the Commission’s intention was for the administrative network that would support the management of the third CSF to have been established before the initiation of the programme. The then Commissioner for Regional Policy Mr. Barnier had sent a letter to the Greek government six months after the adoption of the new regulations
by the Council, urging them to comply with the regulations as soon as possible. In accordance to the principle of subsidiarity, he asked for the introduction of the new MAs and the strengthening of the operation of MOU, which as will be shown next was supposed to have started working with the second CSF but at this point had not started operating yet. The Greek government introduced the legislation for the creation of the administrative network 18 months after the letter by the Commissioner and the legislation began to be implemented at the end of 2001, in other words two years after the initiation of the third CSF. In particular the CSF MA was introduced 22 months after the formal start of the third CSF and the sectoral and regional OPs two years after that.\(^{515}\)

Moreover, as mentioned above, there was an understanding by the Commission at the time that the intended independence of the MIS and their parallel character in relation with the core civil service was not realistically enforceable. This was the case because the MIS:

became locked-in a conflict with the established administration about the competences and operations that they would perform.\(^{516}\)

The core civil service reacted to the MIS’s establishment with ‘pathological envy’ and it became a central objective of the core ministries to undermine the MIS’s operation.\(^{517}\) Thus the decision was taken in the third CSF to establish the MIS very much firmly inside the core public administration rather than put them outside.\(^{518}\)

The CSF MA was given responsibility for the general running and coordination of the programme.\(^{519}\) Essentially, this was the Ministry of Economy’s regional policy department which had been in charge during the three previous programming periods. Under the third CSF it was endowed with significant administrative and financial resources in order to carry out its operation.\(^{520}\) Broadly, the tasks it had to follow during the third CSF were the supervision of the actions of each MA, the everyday contact with the Commission, the

\(^{515}\) This sequence of events is described by Mousouroulis, 2010.

\(^{516}\) Interview E-5.

\(^{517}\) Interview E-4.

\(^{518}\) Interview E-5.

\(^{519}\) The material that follows and describes the activities that the institutions are intended to carry out are outlined in different sections of Regulation 1260/1999 as they were incorporated into the Greek legislation through different common ministerial decisions (KYA).

\(^{520}\) Andreou, 2006.
evaluation of the programme and the approval of any extensions or alterations that a sectoral or regional OP would recommend. Around 60 employees worked in the CSF MA\textsuperscript{521} and the Service was divided into three Units; the Special Unit for Strategy, Design and Evaluation of the Developmental Programmes, the Special Unit for the Coordination of the implementation of the OPs and the Special Unit responsible for the management of the Integrated Information System (OPS). Furthermore, in the CSF MA there was a separate Unit responsible for the management of the Cohesion Fund and another which would manage the Community Initiative ‘Interreg III’.\textsuperscript{522}

The CSF MA was undoubtedly the most important institutional actor in the network responsible for the design and implementation of the programme. Its employees were highly experienced and some had been involved in the EURP since the start of the IMPs.\textsuperscript{523} It issued directives to all the individual MAs which provided the general guidelines about the execution of the sectoral and regional OPs. It was responsible for the conduct of the mid-term evaluation in collaboration with the sectoral and regional OPs. It was also responsible for ensuring that the actions of each MA were consistent with both the national and Community legal frameworks, particularly in the areas of competition, state aid and the environment. Apart from the daily communication with the Commission officials concerning different aspects of the CSF, representatives from the CSF MA met annually with Commission officials in order to account for the overall progress of the programme. Besides this, the CSF MA was responsible for the administration of the partnership and additionality principles. Moreover, it participated in the MCs of all the sectoral and regional OPs and was supervised by and accountable to the CSF MC.

In addition to the CSF MA, a new MA was established in the relevant regions or the ministries for each OP. It was headed by a Director General who was appointed by the central government and its personnel arrived from either the organizations established in the previous programming periods or through competitive exams and interviews held

\textsuperscript{521} Interview C-5.
\textsuperscript{522} As mentioned above, the Community Initiatives do not form part of the research conducted for the thesis.
\textsuperscript{523} Interview C-5.
during the period 1997-2005. Therefore, a mixture of already serving civil servants on secondment and newly recruited employees mainly from the private sector and the abovementioned consultancies were employed in the MAs.

Moving to the second important institutional actor of the institutional network set up in order to design and implement the third CSF in Greece, the MCs were also reorganised and their role became more clearly identified. As in the previous programming periods, the aim of creating the MCs was the institutionalisation of the principle of partnership and the improvement of the inclusion of representatives from civil society in the design and implementation of the CSF. In accordance with the developments related to the strengthening of the principle of partnership there was an extension of the participating bodies. Furthermore, the tasks to be performed by the MCs were clearly identified for the first time.

Each OP was assigned a separate MC which would monitor the implementation of the respective programme. The progress of the third CSF as a whole was monitored by the CSF MC, which encompassed the Director General of the CSF MA, the presidents of the MCs of each sectoral and regional OP, representatives from the PA and the Committee for Fiscal Control and representatives of economic and social interests. Finally, a delegate from the Commission attended the meetings of the CSF MC but did not have a right to vote. This was the institutionalisation of the decision taken by the Commission to withdraw from the everyday patterns of the implementation of the programme. The regional or sectoral MCs worked in a similar way as the CSF MC with the representatives coming from the regions and the MAs where the OP is implemented in the first case or national delegates in the latter. In all cases a representative from the Ministry of Economy participated. The president of the regional or sectoral MC was appointed by the central government general or regional secretary.

524 www.mou.gr
525 Discussed in chapter 5.
Therefore, the two main pillars of the institutional network that was created to support the operation of the third CSF were the MA s – one for the CSF and one for each OP – and the MCs – also one for the CSF and one for each OP. In addition to these, however, the PA and the Committee for Fiscal Control were introduced as secondary supporting organisations. Both these institutions were established in order to improve the transparency of the programme and avert any corrupt practices. They seem to have been the result of specific demands by the Commission in order to promote the objectives related to the ‘sound management’ of the programme as discussed in chapter 5.

Finally, an important institutional change, aimed at creating a supporting mechanism, was the introduction of the Management Organisation Unit (MOU). This was decided in the second CSF but as with the rest of the administrative network, it started its operation towards the end of the second programming period and the start of third CSF. The aim of creating MOU was to strengthen the administrative and management capacities of the authorities created as part of the third CSF. The creation of MOU was directly related to the identification of the weaknesses and rigidities of the Greek civil service. Although intended to complement and not substitute the already existing civil service, it was clear that the public sector bodies that existed at the end of the second CSF were unable to perform the tasks required by the programme. Hence, it was hoped that MOU would provide training and generally enhance the capabilities of the relevant administrative bodies through the introduction of innovative systems of public management. Moreover, it was hoped that ultimately, it would create sufficient spillovers that would have a positive administrative impact to the wider civil service of the country.

Up to this point in the current section I have described the organisational elements of each institution that was exclusively set up for the third CSF in Greece. Each of these organisations would interact with one another, in accordance with the regulatory framework of the EURP and also with the Intermediate Bodies (IBs) and the final beneficiaries, as described in chapter 5. In the remainder of the section I discuss the issues that hindered the

---

It was introduced by Law 2372/1996 which was redrafted by Law 2860/2000.
Lalioti, 2002.
Interview D-1; Interview E-4; Interview E-5; Mousouroulis, 2010.
operation of this institutional network, and hence the third CSF, in a developmental manner.

6.4.1 Centralisation vs. Decentralisation

The establishment of both managing and paying authorities were undoubtedly positive steps towards the improvement of the performance of the regional and sectoral OPs. However, the fact that the MAs were placed under the direct control of the ministries and the regions responsible for the implementation of the sectoral and regional OPs signalled the reinforcement of the centralising tendencies of the Greek state. As mentioned above, the Secretary General of each MA was appointed by the central government and at the same time would also serve as the head of each MC. Moreover, the civil servants that worked in the MAs on secondment could be transferred back to their previous positions by a simple decision taken by the secretary of the MA, whilst the ones that arrived from the private sector were employed on the basis of two year contracts.\footnote{Andreou, 2006.} As discussed in chapter 3, the Greek civil service is built on the theoretical basis of the Napoleonic system, which has the permanent positioning of its employees as one of its basic cornerstones. Hence, the employees of the regional and sectoral MAs worked under circumstances of flexibility which were unusual for the civil service in the country. This fact in itself provides constraints on their ability to act autonomously from the central state.

The centralised ways in which the managing authorities operated were revealed during the fieldwork carried out by the author with the aim of conducting semi-structured interviews with the employees of the MAs. During that process, the apprehension of the civil servants to give such interviews was revealed. Most of them would send the author to their line manager who in turn would send him to the Head of the Managing Authority. In some cases the explicit authorisation of the Secretary General of the MA was sought in order to conduct the research interview. It is understandable that a certain degree of apprehension by the civil servants to reveal information that might be considered confidential is an integral problem that accompanies this sort of fieldwork. Nonetheless, the tendency of almost all the potential interviewees to look for permission from their line manager is indicative of a
reluctance to take autonomous decisions. This issue was also revealed by interviewees in Brussels who admitted their difficulties in dealing with the MAs during the monitoring of the programmes because no decision would be taken unless the highest official would agree.\textsuperscript{530} Sometimes that would involve the minister or the secretary of a regional authority, whilst in other cases, and especially in issues that affected political decisions related to the national economy, the permission of the Greek Prime Minister (PM) was required.\textsuperscript{531}

A similar impression was given by all the interviewees employed in the MA of the regional OP of Western Macedonia\textsuperscript{532} and another employee who had worked in the regional OP for the region of Attica.\textsuperscript{533} They all agreed that the Ministry of Economy would constantly interfere in their operations through the CSF MA but also through the regional MC. As far as the CSF MA in particular was concerned, it was clear that the central managing authority tended to intervene in the everyday activities much more than the regional MA would have wanted.

Interestingly enough however, this was not seen as necessarily negative or indeed as contributing to the ineffectiveness of the system. This is because the employees of the regional MA recognised the severe difficulties they were facing in terms of properly trained personnel. The issue of the lack of specialised knowledge by the regional MAs, as well as in general by the sub-national authorities involved in the implementation of the regional OPs, was raised by an interviewee employed in the CSF MA thus:

> It is all very well for the regional and local representatives to be asking for more responsibilities to implement programmes... However, I cannot understand how they will be able to manage a large scale infrastructure project such as an airport... Whether we like it or not our administrative structure is such that the people who know how to build an airport work at the centre. Whenever we have attempted to move those people to the regions, either the know-how was not transferred with them or they did not want to move since they had already organised their lives in Athens.\textsuperscript{534}

\textsuperscript{530} Interview E-2.  
\textsuperscript{531} Interview E-1.  
\textsuperscript{532} Interview B-1; Interview B-2; Interview B-3.  
\textsuperscript{533} Interview A-3.  
\textsuperscript{534} Interview C-5.
Another interviewee who had worked in a regional MA claimed that the strong role that the Ministry of Economy retains through the CSF MA is justified, given the small size of the country and the traditional strong role that the central state has had in the Greek political history. As he claims:

We need to understand that the Greek regions are not like the German or French regional authorities [in terms of their administrative capacity]…also since 50% of the country’s population resides in Athens it is logical that this is reflected in the administrative distribution of powers.

When asked if the central state should take the initiative and devolve responsibilities to the regions in order to alter these centralised patterns he replied:

…but in theory this is an attractive prospect. In practice, though, I do not think that it will ever work… the regional authorities would find it very difficult to collaborate with each other without the contribution of the Ministry of Economy…also some decisions that need to be taken in order to ensure the transparency of the programmes would not have been taken at the local level because of clientelistic interferences…I do not think that the country is ready for any devolution of powers.

An employee of the European Commission’s DG Agriculture with extensive experience in dealing with the MAs of the regional OPs corroborated the argument that the CSF MA tends to involve itself in the management of the programmes much more often than it should have done. As he pointed out:

Institutionally, our interlocutor is the MA of the regional OP. For example, if we have a problem with a project in the regional OP of Eastern Macedonia and Thrace we will call the employee of this MA. When, however, a few days later we receive a phone call from an employee of the CSF MA who tells us: ‘about the problem that you had with this project in Eastern Macedonia and Thrace, here is the answer’ we begin wondering what is going on.

Furthermore, he points out that the CSF MA’s interference takes place not only through the everyday communication with the Commission but also through the regional MCs. Specifically, he puts it thus:

Sometimes it feels as if the Ministry of Economy has assigned a commissioner to each of the MCs of the 13 regional OPs who is basically dictating to the regional MC and MA what they should and should not do. This of course is completely

---

535 Interview A-8.
536 Interview E-2.
contradictory to any claims about the promotion of bottom-up regional development which is what the structural funds are trying to achieve.

Also, another Greek Commission employee\textsuperscript{537} points out that:

The Greek regions do not have the capacities to take autonomous decisions without the constant need for the approval of the central authorities. What we see in other recipient countries is that their regional authorities can design and implement a programme for innovation, a technological park or a University in their area and they do it independently without needing the authorisation of their centre. In Greece, each action by the regional authorities needs to take approval through a plethora of authorisations by different ministries all located in Athens... what we wanted to happen is that the central authorities would provide the coordination of the programmes through designing the relevant OPs but during their implementation the regional OPs would be left to run their own projects with the centre of course providing technical or other assistance whenever it is needed... in that way the better performing regional OPs would move forward and promote regional economic development faster than the others... these issues are not happening as even the design of the CSFs are centred around Athens, look at what happened with the Olympic Games for example...this is unfortunate because some Greek regions like Thessaloniki have huge potential especially after the accession of Bulgaria.

Nevertheless, the above mentioned Commission employee\textsuperscript{538} also confirmed the impression that the excessive interference of the CSF MA was not necessarily negative for the implementation patterns of the third CSF. This is so because the regional MAs were often unable to deal with the problems that arose. As he points out:

There is an issue related to the capacity of the regional MAs to administer these programmes. The management of the programmes financed through the structural funds is really complicated and there is a need for specialised personnel who will be able to communicate with the Commission on an equal basis and that is not always the case with the regional MAs. Therefore, the control that the CSF MA delivers is needed as long as it does not become asphyxiating.

Three more employees of the CSF MA\textsuperscript{539} pointed out that the biggest problems in terms of the quality of the available personnel are identified at the lowest territorial level, that of the LGAs. As one of them put it:

the local government in Greece is miles away from what it should have been in organisational terms, in terms of proper auditing controls, management of the

\textsuperscript{537} Interview E-4.
\textsuperscript{538} Interview E-2.
\textsuperscript{539} Interview C-2; Interview C-9; Interview C-6.
expenses etc… the ‘Kapodistrias’ plan made some first steps but there is much more
that needs to be done by further reforms if extensive corruption at that level is to be
combated.

The issue of corruption of the LGAs in Greece is usually cited as a further element that
contributes to the negative organisational functions of the lowest territorial administrative
units. In a report, the Greek Ombudsman reached the conclusion that the local authorities
are more often than not unable to perform even the meagre responsibilities that they have
been assigned. As primary reasons for this, excessive corruption and the particularly low
educational level of the personnel employed in the LGAs are cited. The report identifies
that this impression is shared by a large part of public opinion in Greece which identifies
these authorities with excessive corruption, patronage and incompetence. Nevertheless, the
Ombudsman’s report concludes that the LGAs should not be researched in isolation from
the general political, administrative and social structures of the country. Instead they should
be seen as constructions of the Greek central state and also as representatives of the local
populations.

Thus, it points to the direction of both top-down and bottom-up forces that created and
sustained these issues, with the central state being reluctant to devolve significant
responsibilities and the LGAs being unable to formulate coherent demands in that direction.
Reflecting the low level of civil society in Greece as a whole, the regional and local people
did not articulate their interests in a horizontal way at that level. Therefore, the local
authorities have been ‘captured’ by clientelistic interests from the regional populations
rather than as ways of representing collective needs. As an interviewee employed in the
MA of the regional OP put it:

The biggest problem that we are facing is a lack of collective identity in all the
programming and implementing bodies that represent regional and local populations
of the region. In other words, the representatives of the regional council only serve
the interests of their constituents, as do those of the prefecture and the local
councils. The delegates of each of these organisations are only interested in serving
their own clientele and none of them seems to care about the development of the
area as a whole. The situation is similar when it comes to the delegates representing
a professional organisation, who seem to only bring to the council the demands of
the relevant profession. This creates disagreements and a lack of trust amongst the

---

delegates. If all the representatives knew that the decisions taken by the MC, for example, are for the benefit of the whole area there would not be any obstacles in the decision making process. Because this is not the case, however, reaching a decision that would be of benefit to the whole region becomes particularly difficult. If that had happened we would have been able to bypass the problems related to the limited funds that we have at our disposal as well as the conflicting priorities that each delegate brings to the council. Nonetheless, understanding that the individual benefit only results from taking into account the common good is related to cultural issues that are very difficult to change.\textsuperscript{531}

The cultural aspects of interaction that contribute to the patterns of working in the MC were also stressed by a Commission employee\textsuperscript{542} who pointed out in relation with the principle of partnership:

There is in Greece a profound lack of civic culture, consensus building and dialogue. People find it very difficult to talk about conflictual issues in a way that leads to an outcome that anyone can accept...of course this is not a problem only in Greece but is particularly acute in Greece... it is seen at both local levels- for example the relationships of bosses with their employees in a private company- and the national level- the relationship between the government and the trade unions- in every communication of this type I would get the impression that there was a dialogue of deaf.

Moreover, the head of the Payment Authority\textsuperscript{543} pointed out that when it comes to the auditing that they implement, most of the problems that the PA is facing come from the LGAs and the prefectures. As he says:

...sometimes we receive official documents written by hand – not only do they not use a computer but they do not even use a typewriter... the “Kapodistrias” plan has undoubtedly improved many things but still the administrative capacities at that level sometimes resemble those of the 1950s.

Finally, a former employee of the Commission’s DG Regio who in the mid 2000’s moved to the General Secretariat for Investment and Development in the Greek Ministry of Finance put it:

When I moved to my new position in 2004 I understood -with considerable anger- that 25 years after the country’s accession in the EU, the sub-national authorities did not have any knowledge at all about the laws and regulations coming from the EU.

\textsuperscript{541} Interview B-3.  
\textsuperscript{542} Interview E-5.  
\textsuperscript{543} Interview C-3.
To summarise, the low administrative capacities of the sub-national authorities were cited by most interviewees and were highlighted by the Ombudsman report as having an impact in the implementation of the EURP funded projects. In the case of the interviewees, there seemed to be a consensus that this was the primary reason why the centralised tendencies of the CSF MA were needed in order to ensure the minimum effectiveness of the programmes. This state of affairs, however, creates a chicken and egg situation; it is not clear whether the reduced responsibilities of the sub-national authorities or the centralising attitude of the central state were responsible for its reproduction. Therefore, on the one hand, those who distrusted the sub-national authorities seemed to have been justified in not wanting to allow them more scope for autonomous action in the context of the CSF. This was so especially since there were fears – not always unjustified – that the regional programmes would be used in order to satisfy local clientelistic interests rather than for developmental purposes. On the other hand, however, the representatives of the lower tiers inquired how the reforms of the sub-national government can proceed if they were not allowed any room for policy learning.

The dominant role of the Ministry of Economy and the CSF MA in particular did not only impact on the scope for autonomous action to the sub-national authorities. If anything, the Greek civil service’s centralism was clearest in the administration of the MOU. As discussed above, it was created as an independent organisation to provide administrative know-how to the MAs. When it started its operation this involved training seminars and other interventions that it would decide autonomously. Nevertheless, during the course of its operation the Unit was stripped of many responsibilities by the CSF MA. As the Director General of MOU put it:

The initial plans for the creation of MOU were that we would have much more responsibility not only in quantitative but also in qualitative terms since we would be involved in the programme in a more systematic way. However, the Ministry of Economy has gradually taken back our responsibilities either by presidential decrees that institutionalised this process or by issuing directives that had the same impact in an unofficial way.

544 Interview C-5.
545 Interview D-1.
Besides, as mentioned above, even when the discussions for the creation of MOU had started in the mid 1990s the whole project had attracted considerable resistance from the core civil service, which feared that MOU would act in an antagonistic manner towards it.\textsuperscript{546} There were fears that the employees of the Ministry of Economy would lose their prerogatives – they are amongst the best paid civil servants in Greece, and since the employees of the CSF MA are employed by the Ministry of Economy this is reflected in their salaries\textsuperscript{547} – or that the new authority would override the already existing civil service organisations. Interestingly, this resistance was echoed by the ND party, which was then the main opposition party.\textsuperscript{548}

The fear of the conservative party was that the creation of an autonomous agency would lead to unsupervised political actions by the central government and that the latter would lose its control over the process of the management of the CSF. As a result of both the actions of the CSF MA and the resistance towards its operation, MOU’s role was downgraded during the third CSF from that of a major provider of organisational support to being a back up mechanism.\textsuperscript{549} Indeed, at the end of the third CSF, the only substantive responsibility left to MOU was the organisation of the entry examinations for employees that worked in the MAs. It was still in theory required to offer training and other support to the employees but this was hardly the case anymore.\textsuperscript{550}

Therefore, the new regional MAs and MOU, which were created in order to provide the autonomous administrative scheme for the third CSF, continued to suffer from interference from the central CSF MA. As a result, the reformulation of the role of the MAs lost its substance, since the central ministry reaffirmed its own role. In essence, the CSF MA issued directives about all the major issues that needed to be decided. The regional and sectoral MAs were intended to follow these directives almost literally and the only room for manoeuvre that they enjoyed was in everyday issues of secondary importance for the programmes. This was the case even though the directives that the CSF MA would issue

\textsuperscript{546} Lalioti, 2002.
\textsuperscript{547} Interview A-3.
\textsuperscript{548} Lalioti, 2002.
\textsuperscript{549} ibid.
\textsuperscript{550} Interview D-1.
would at times be contradictory and non-comprehensible to the sub-national authorities whilst constitutionally they were against the aim of the introduction of the MAs as autonomous organisations for the implementation of the EURP.\textsuperscript{551} Essentially, the regional and sectoral OPs were not legally obliged to enforce the directives issued by the CSF MA but political and administrative practices of the past did not allow them otherwise.\textsuperscript{552}

As was seen by the interviews above, this situation seemed to have been accepted even by employees of the regional MAs as more or less inevitable for the sake of the effectiveness of the programme. Furthermore, there was little or no evidence that the CSF MA intended to alter this situation by devolving responsibilities to the sub-national and sectoral MAs. If anything, certain interviewees\textsuperscript{553} pointed out that in the programming period which officially started in 2007 the CSF MA has centralised even more powers. However, if the interviewees of the MAs of the regional OP were less likely to express frustration about the stifling interference of the CSF MA it was a different case when it came to the MAs of the sectoral OPs.

6.4.2 Antagonisms, lack of co-ordination between the CSF MA and the sectoral MAs
As discussed in chapter 5, the bulk of the funds of the third CSF were diverted to the sectoral OPs, which had a horizontal character and covered the territory of the whole country. To be sure, these interventions had significant developmental implications for the regional and local economies where the regional OPs are implemented. Nonetheless, the MAs that managed the sectoral OPs were all located in Athens. This was a factor that differentiated the patterns of the sectoral OPs’ interaction with the CSF MA in comparison with the interaction between the central managing authority and the regional MAs. In particular, the MAs of the OPs that were managed by the Ministry of Planning, Environment and Public Works (YPEXODE) and the three separate Ministries of Labour, Education and Development seemed to have been unwilling to accept the dominant position of the Ministry of Economy as expressed through the CSF MA. Competition, rivalry and mutual suspicion characterised inter-ministerial relationships throughout the previous

\textsuperscript{551} Mousouroulis, 2010.
\textsuperscript{552} ibid.
\textsuperscript{553} Interview D-2; Interview A-3.
programming periods and have resulted in a lack of cooperation and coordination.\textsuperscript{554} As an interviewee put it:

For years now, there is an unfortunate situation in Greece where each ministry designs and implements projects for the area of their responsibility without consulting other ministries...there is no co-ordinated plan for example for the enhancement of private enterprises and each ministry takes its own actions.

These problems seem to have continued or even become exacerbated during the third CSF. Three OPs were managed from the YPEXODE, and one each from the Ministries of Education, the Ministry of Labour and the Ministry of Development. Furthermore, there was a Special Service for the co-ordination of the programmes financed by the European Social Fund (ESF) which coordinated the actions of the Ministries of Labour and Education. Also, a series of not-for profit, semi-public organisations that belonged to the YPEXODE managed projects of physical infrastructure and participated in the process of implementation as Intermediate Bodies (IBs).

The YPEXODE seemed to have a distinctly different approach to the third CSF than that of the Ministry of Economy. However, the problems were not confined to those between the YPEXODE and the Ministry of Economy. Similar problems were identified when it come to the relationships between the YPEXODE and the OPs managed by the Ministry of Labour and the Ministry of Education.

Because the largest part of the third CSF was devoted to the upgrading of the physical infrastructure but also as a result of the problems that were created by the ‘Main Shareholder’ legislation, the interaction between the YPEXODE and the CSF MA was very frequent. The efforts made by the civil servants of the relevant managing authorities to minimise these rivalries were not always successful.\textsuperscript{555} The long-established disagreements led to conflicts and discrepancies which hindered the cooperation and coordination of the actions between the MAs. These were mainly caused by a distinctively different approach on issues of development between the civil servants of the two Ministries.

\textsuperscript{554} Petrakos and Psycharis, 2006.  
\textsuperscript{555} Interview C-5.
The different approaches need to be explained with reference to the fact that on the one hand YPEXODE favoured an approach based on physical and spatial planning whilst on the other the Ministry of Economy and the other Ministries had the responsibility for economic and social development and were more favourably inclined towards the qualitative elements of economic and social development. The technical approach of the former frequently contradicted the qualitative approach adopted not only by the Ministry of Economy but also by other Ministries responsible for the implementation of actions in relation to employment and education. Furthermore, the fact that the results of the actions undertaken by YPEXODE were easier to evaluate than those of the Ministry of Economy or the Ministries of Education or Employment – one can quantify the end result of roads and bridges more easily than that of an action that aims at the diversification of the employment population in a poor area – provided a further source of misunderstanding.\footnote{556}{Interview A-4.}

YPLEXODE tended to present a thorough picture when evaluating its OPs, projecting clear and measurable outputs as evidence of the success of the programmes. This would tend to annoy the authorities that managed the other sectoral OPs, especially since the rates of absorption were employed by the Commission in order to evaluate the programmes. This further exacerbated the lack of coordination and created fragmentation and inconsistencies between the developmental objectives of the relevant OPs. An interviewee who is responsible for the coordination of the sectoral OPs at the CSF MA summarised the whole affair thus:

There is nothing new about the disagreements between the Ministry of Economy and the YPEXODE, or about the fact that they have an impact on the progress of the programme. Nevertheless, they are not a contemporary affair; all the Ministries that were the predecessors of the Ministry of Economy and the Ministry for Public Works had difficulties in their communication. It is probably a problem of different philosophies in the issue of economic development… Therefore, it is not necessarily an issue of clashes of personalities but something related to the developmental model that the country has followed and the lack of economic programming. Ever since the Marshall Plan there has not been a corresponding programming that would assign specific responsibilities to each institutional authority involved, which is of course related to the administrative problems that the country has been facing.\footnote{557}{Interview C-9.}
Furthermore, the same interviewee pointed out that these difficulties also related to the cooperation amongst the CSF MA and the IBs which belonged to the YPEXODE and implemented physical infrastructure projects. Although the latter were in theory independent from the Ministry responsible for public works, in practice they would follow the guidelines issued by it. This interaction involved a significant percentage of the funds, since for example the funds diverted through the OP ‘Rail, Airports and Urban Transport’ benefited such organisations exclusively. As the interviewee put it, the main issue of contention in these interactions is:

who will play the developmental role during the implementation of the plans: the authorities who spend the funds and belong to the YPEXODE or those who design the plan, i.e. the Ministry of Economy.

Apart from the problems of differences in the developmental ‘philosophy’ amongst the MAs of the two main Ministries there were problems of a lack of co-ordination amongst the MAs responsible for the implementation of qualitative actions. These tended to exacerbate the antagonisms that characterised the relationships between the MAs of the sectoral OPs.

As discussed in chapter 5, one of the characteristics of the patterns of the implementation of the third CSF in Greece was the constant reorganisation of the finances that were assigned for each OP. Specifically there was a trend to transfer funds that did not ‘run’ to those with better rates of absorption. Because of their nature, the physical infrastructure projects were more likely to benefit from financial reallocations, to the detriment of OPs that supported qualitative actions. This issue was identified in the Report on the implementation of the Structural Funds, published annually by the Commission about the execution of the programmes in 2004. The report pointed out that:

While work on infrastructure is advancing, substantial delays were registered in the measures aiming at participation of the private sector, research and new technologies including the information society, the promotion of business spirit and innovation in the regions and actions for integrated rural and urban development.

An employee of the Special Service for the co-ordination of the actions of the ESF has a direct view on this issue. The main function of the Service in which she worked was to co-
ordinate the policy actions of the MAs of the Ministries of Economy, Labour and Education as well as specific actions in regional OPs and to link these with the Commission’s actions. In this regard she was keen to point out that the co-ordination between the MAs of different sectoral OPs faces many difficulties. As she put it:

There is a clear lack of coordination between the MAs, especially in those cases where two or more MAs share responsibilities…There is a mentality and an administrative culture that does not allow employees of different MAs to work together and I am not very hopeful that this will ever change… sporadically we do encounter examples of good coordination between individuals in different MAs, but of sectoral and/or regional OPs.

The unofficial relationships that were established between middle ranking civil servants were an important factor, as they seemed to have provided the motivation for certain individuals employed in the MAs of different OPs to collaborate. Essentially, through this process the programme as a whole would move forwards despite the difficulties and the frequent antagonisms between the ministries. As the above-mentioned interviewee put it:

…these collaborations [between employees of different MAs] are almost never institutionalised and how could they be if the ministers and the secretary general of the regions where each OP is situated do not speak to each other in order to find shared solutions to the problems that they are facing?...the communication that is established is always dependent on the ‘chemistry’ that develops between employees. If certain employees get on well with each other the relevant actions will move forward, otherwise they will not…Unfortunately there still is a culture in Greece that says that the individuals do not examine the institutional position where their fellow employee works but whether they get on well with him or her.

It is true that the individual relationships that develop in any organisation have an impact on the latter’s performance. However, when asked specifically about the issue of the relationships that develop between the MAs, almost all the interviewees replied that the personal ‘chemistry’ between the employees is the most important factor in determining the patterns of communication between themselves and their colleagues, and far more important than the institutional position of each individual.

A Greek Commission employee561 went further and suggested that:

Any positive impact that the CSFs have had in Greece has been the result of ad-hoc coordination between specific individuals working in different MAs, who for their own reasons wanted to ‘move things forward’. There has not been any

561 Interview E-4.
institutionalised cooperation...individuals who were most of the times doing more than they should be doing according to their job description, delivered certain results through this process. MOU was created like that as were some big construction projects like the El. Venizelos airport. There has not been any long term coordination. We have always done things with the method of ‘yourousia’\(^{562}\) this is how the Olympic Games happened...of course we take these significant steps in that way and then we return back to the place where we were before.

To summarise, the current section identified two issues that hindered the coordination and cooperation of the authorities involved in the implementation process of the third CSF. Firstly, the different approaches of the MAs that participated in the management of the programme – the CSF MA on the one hand and those belonging to the YPEXODE on the other – impacted directly on the internal communication between the relevant authorities. Secondly, there seemed to be a distinct lack of coordination between the MAs that managed sectoral OPs of qualitative actions, and this frequently created antagonisms and inconsistencies between the policy actions of the MAs. As one interviewee\(^{563}\) put it, the CSF MA tended to operate with a certain degree of ‘narcissism’ and rarely if ever consulted the MAs of the sectoral OPs. He qualified this by pointing out that the CSF MA would ask for the input of the sectoral OPs when, for example, it would work on large scale projects such as the design of the National Development Programme for the period 2007-2013. Nevertheless, when it would come to everyday issues the CSF MA tended to issue directives which the sectoral MAs often found ‘unrealistic’ even though they were expected to put such measures into practice. Another issue that created difficulties in the relationships between the MAs was that of the politicisation of the programmes financed through the sectoral and the regional OPs.

6.4.3 Politicisation of the actions of the MAs

The relationships between the MAs, especially those of the sectoral OPs, also suffered because of the politicisation of the programmes, which was caused by the higher echelons of the ministries and trickled down to the administrations of the ministries.\(^{564}\) The ministers

---

562 A word of Turkish origin which describes collective action taken as a result of some pressure exerted. It could be translated as a collective effort with heroic characteristics taken by a group of people who are in defence and want to attack.

563 Interview A-1.

564 Interview C-6; Interview D-2.
responsible for each OP were very likely to use the projects funded through the EURP in order to advance their public profiles. The projects financed through the sectoral OPs and managed by the YPEXODE were widely known in public. They included – amongst others – large scale interventions, such as the Egnatia Odos or the Athens Metro, which attracted a great deal of publicity. Therefore, the minister of YPEXODE was likely to issue press campaigns, announcing projects that had already been announced before or were in advanced stages of implementation, in order to be seen as ‘taking care’ of the voters. Given that, as an interviewee put it, ‘we Greek peoples love the cement’\textsuperscript{565} the advantages that could accrue to the public image of a politician if they were seen as facilitating these projects were considerable.

As a result, there tended to be a ‘tit for tat’ exchange, since the minister of Economy, for example, could not understand why it was his counterpart at the YPEXODE who benefited in terms of his public image and possible electoral advances by programmes which by definition were the responsibility of the whole government. Similar instances took place in ministries that housed the OPs with responsibility for qualitative programmes such as employment, education or competitiveness. Again the relevant minister unilaterally decided to publicise the programmes that were financed through the sectoral OP as if they were that person’s responsibility. As before, the result of these instances was the exacerbation of the problems in the relationships between ministers.

The politicisation of the programmes financed through the third CSF could happen in other ways as well. First amongst them was that every time there was a change of government in the country the newly elected administration attempted to lay the blame for the failures in the implementation of the programmes on their outgoing counterparts. For example, the ND government attempted to lay the blame for the forfeiting of the €550 million by the second CSF, as discussed in chapter 5, on the previous PASOK government. The Ministry of Economy and Economics, Prof. Alogoskoufis, issued a press release through the official site of the third CSF,\textsuperscript{566} openly declaring:

\begin{center}
\textsuperscript{565} Interview C-5. \\
\textsuperscript{566} www.hellaskps.gr
\end{center}
since 2004, we have been making constant efforts to combat the problems and irregularities that accompanied the execution of the CSF before 2004.

The fact that, as was discussed in chapter 5, the programme had effectively actually started at the time, as well as the impact that the revision of the public finances had on the forfeiting of the funds, was skilfully omitted by the Minister’s press release.

Most importantly, another way in which the central government attempted to politicise what in theory were independently drawn up and managed developmental programmes was by constantly interfering in the process of the selection of the personnel employed in the MAs. In this context, the description of the different types of interference by the Director General in the organisation responsible for the undertaking of the relevant examinations – MOU – was pertinent. He pointed out that:

Generally speaking, the relevant minister views the civil service [of their ministry] as his ‘‘fief’’. As soon as he is put in such a position he will attempt to control the civil service and that includes the staff of the relevant MA… about the process of the selection for the personnel in the MAs I can only describe the situation as tragic… we encounter pressures from ministers, deputies, and all sorts of people who think they can have some power in the process…there are telephone calls from which I try to hide, pressures exercised by ‘‘friends of friends’’…we live under constant pressure and it is impossible to convince those people that it is not only wrong but also inefficient to try to interfere in the process in such ways…

Certainly, this problem is not only encountered with new employees; as was discussed in chapter 3 it is an endemic characteristic of the Greek civil service that every time there is a change of government, the newly installed minister changes the personnel of the ministry where they are put. As the civil servants in Greece are constitutionally guaranteed life employment there is no option for the minister to dismiss the civil servant; hence what usually happens is that the bureaucrat who is seen as belonging to the previous government is ‘‘frozen’’. Thus, the state continues paying their salaries but they are implicitly ignored or sent to a position with no substantial responsibilities. I have provided my personal experiences with the MA of the region of Western Macedonia in the introduction where before and after the elections of 2004 the organisational chart of the MA was completely different. The rumours circulating amongst the civil servants that I spoke to was that this

---

567 Interview D-1.
was because they were seen as being very close to the previously governing party of PASOK.

Similar practices are followed in every government department where the central state appoints its director, hence the regional authorities where the regional MAs belong. Certainly, this is the case in the case of the sectoral MAs that belong to government ministries. The creation of the MIS was supposed to combat such phenomena by introducing competitive exams and constant appraisals of the job descriptions of its employees. Nonetheless, as an interviewee put it:

Unfortunately we encounter the phenomenon that when the government changes the new Secretary General of a region simply disposes of those whom he does not like and brings in those that he does like. When an employee from a regional MA is considered as being very close to the previous governing party they are being sent back to the central offices of MOU. However, MOU’s main responsibility is to train the employees of the MAs hence this civil servant sits around at the central offices of MOU doing nothing.

He also added that this is an endemic phenomenon that sometimes affects very able and efficient civil servants whose removal in that way has a direct impact on the progress of the OP. Moreover, he pointed out that this was not a party political issue in terms of one of the two major parties resorting to such practices more than the other. If anything, his experience had showed him that both main parties had been employing such tactics in order to control the civil service.

Besides this, as mentioned above, not all the employees of the institutional network created in order to provide administrative backing to the third CSF have come through competitive exams. Some of them were on secondment from the civil service of the core ministries. The salaries in the MAs were by and large better than those of the core civil service; hence some employees who already enjoyed the permanence that the Greek civil service guaranteed were keen to spend some time in the MAs and earn more money. The process through which this could be achieved was completely opaque and it seemed that the only way through which it could be achieved was through the exercise of political pressure by deputies, ministers, and so on.
As a result of these two issues that politicised the process through which the personnel employed in the MAs were hired, some interviewees\textsuperscript{568} identified a negative trend in the organisational culture of the MAs. In particular, they expressed a fear that the positive aspects of the new MAs were being reversed and the bad aspects of the Greek civil service were being transferred to the MAs, rather than the other way around. The creation of the MAs was intended to provide sufficient spillovers for the creation of an administrative culture that would be immune from the internal difficulties of the Greek bureaucracy discussed in chapter 3. As can be seen from the above, however, there was a reverse trend through which the core civil service passes on its negative characteristics to the supposedly independent MAs.

Finally, the politicisation of the programmes of EURP in Greece happens in another way which is also an endemic characteristic of the domestic political economy. This has to do with the manipulation of the public budget for electoral purposes with the aim being that the governing party can influence the results of national elections in its favour. In particular, it has been shown\textsuperscript{569} that before each election the Greek governments have been increasing their spending. This increase may take direct forms –increase of public sector employees from the pool of the governing party’s supporters- and/or indirect. The latter has to do with significant increases of public works programmes before each election. These patterns have also been identified at the sub-national level with prefectures which have supported the governing party receiving substantial funds for public works before each election.\textsuperscript{570}

This issue has impacted on the implementation of the EURP with some interviewees\textsuperscript{571} suggesting that the central government would become very interested in spending the money arriving from the structural funds before each election\textsuperscript{572} or as treating the funds arriving though the EURP as ‘party money’\textsuperscript{573} that can be spent for short term electoral

\textsuperscript{568} Interview D-2; Interview A-3; Interview E-4.
\textsuperscript{569} Kazakos, 2001; Pagoulatos, 2003.
\textsuperscript{570} Lambrinidis, et al., 2005.
\textsuperscript{571} Interview E-4; Interview E-5.
\textsuperscript{572} Interview E-4.
\textsuperscript{573} Interview E-5.
reasons. This is also related with the difficulties in coordinating and programming long term policy actions between governmental departments and the short-termism of the Greek bureaucracy which were discussed above. As a result, the projects implemented through the structural funds end up being politicised and the MAs are losing their independence from the central state.

6.4.4 Relationships with European authorities / Europeanisation

In chapter 5, the two issues of the revision of public finances – and in particular the upward revisions of the GDP rates – and the difficulties that arose with the legislation of the ‘Main Shareholder’ were discussed. There, it was made clear that these seem to have created significant problems in the relationship between the Greek government and the Commission. These problems seem to have trickled down to the relationships between the relevant authorities of the Commission and the CSF MA. They had a direct impact on the patterns of the implementation of the EURP in Greece, by creating misunderstandings that could have been avoided.

Nonetheless, these two issues were not isolated but seemed to be symptomatic of a certain malaise in the relationships between the Greek government – and in particular the CSF MA – and the Commission. This was caused by the fact that even though the Commission did not participate actively in the process of the implementation of the third CSF, through its authority in the design of the programme and also its monitoring through the MCs, it promoted certain common policies that did not necessarily correspond to domestic developmental needs. For example, an unofficial tendency, even in the third CSF, which became institutionalised in the fourth programming period, was the so-called ‘Lisbonisation’ of the EURP. This required all the relevant authorities to indicate to the Commission how they intended to promote the objectives of the Strategy that was decided at the Lisbon European Council of March 2000. Nonetheless, this was not always feasible, since the developmental priorities of Greece, in this case, might differ significantly from the general parameters set out by the Lisbon Strategy.

---

574 Interview C-9; Interview C-5; Interview E-2; Interview A-3.
575 Interview C-9; Interview D-2.
Admittedly, some of the core objectives pursued through the Lisbon Strategy, such as the amelioration of employment levels, or the increase in Research and Development funding, seem similar to the developmental objectives set out in the Greek CSF. However, the overall parameters of the Lisbon strategy relate to the increase in the competitiveness of the member states, and as Allen puts it, for the member states that entered the EU in 2004 and 2007:

The “Lisbonisation” of cohesion policy is likely to prove premature for the new members who need basic assistance before they move on to focus on becoming competitive.

The spirit of the objection that some of the interviewees expressed about this issue was not dissimilar to the point expressed by Allen. In particular, they thought that the improvement in institutional capacity should be the focus of the EURP before any other objective promoting the competitiveness was pursued.

Going back to the issue of the difficulties that existed in the cooperation between the domestic authorities and their Commission counterparts, there seemed to be a tendency on the part of the Commission to justify any disagreements it had about specific actions proposed by the domestic authorities, on the basis of incompatibility with Community legislation. As it does not have jurisprudence for direct intervention in the implementation of a project at the domestic level, it tends to employ indirect methods of ‘steering’ the relevant authorities towards patterns they think should be followed. For example, during the MC it could express reservations about the compatibility of a decision suggested by the MA with legislation on public procurement or state aid. This reservation would not be converted into direct action but the intention was to indicate to the domestic authorities that ‘they were not happy’ with a specific issue because they thought that it may be in contravention with Community legislation. Thus, they would leave the initiative to the domestic authorities who ‘may or may not take the gamble to ignore our

---

577 For an elaboration of the relationship between the EURP and the Lisbon Strategy see Mendez, 2011.
578 Allen, 2008, p.27.
579 Interview C-5, Interview E-4.
580 Interview E-4.
suggestion\textsuperscript{581} since they know that at the end of the day we always have to give the ‘green light.’\textsuperscript{582}

This discrepancy was not always obvious to the CSF MA officials and could sometimes cause frictions. As they were more preoccupied with hastening the absorption they would see the suggestions that the Commission put forward as holding back a project. Similar argumentation was employed by other interviewees about the competition legislation, which was discussed in the context of the developments of the ‘Main Shareholder’. Almost all the interviewees that participated in the administrative scheme that managed physical infrastructure projects expressed dissatisfaction with the actions of the Commission on that front. The actions taken by the Commission seemed disproportionate and seemed to imply that there was some form of intent by the Greek officials to deceive their Commission counterparts, which they all insisted was not the case. The Commission on the other hand was disappointed by the initial hard line taken by the Greek government and the insulting words that it used in order to describe the Commission employee who was primarily responsible for the issue. The whole affair was described as ‘dramatic’\textsuperscript{583} and ‘tragic’\textsuperscript{584} by two Commission interviewees and the Greek government’s reaction was seen as wholly inappropriate. The only justification was seen to be the inexperience of the then newly installed government of ND.

To be sure, the above should not be seen as indicative of irrevocable difficulties between the institutions of the Commission and the domestic authorities in the context of the EURP in Greece. All the interviewees who were asked about this issue expressed their willingness to engage in constructive discussions with their Commission counterparts. Besides, the employees of the CSF MA and also the MAs of the regional and sectoral OPs have extensive experience in the field of the management of these particular programmes. As mentioned above, some participated in the scheme before it was institutionalised in 1999, either with the predecessors of the managing authorities or the private consultancies. This

\textsuperscript{581} Interview E-4.
\textsuperscript{582} Interview E-4.
\textsuperscript{583} Interview E-4
\textsuperscript{584} Interview E-2.
has equipped them with sufficient knowledge about the requirements of working with the Commission and they all expressed their desire to perform the programme in collaboration with the Commission during the interviews.

However, this does not imply that there were no problems in these interactions. For example, the Commission’s decision to withdraw from the implementation patterns of the third CSF and just retain the auditing and monitoring roles did not go down well with certain Greek officials of the CSF MA in particular. Especially since this change of approach was not followed thoroughly from the Commission, which was more inclined to be actively involved in the implementation of the third CSF than what it was initially assumed. As an employee of the Greek CSF put it:

Even though the Director General of the DG Regio said in the early stages of the third CSF that if the programme failed that would reflect on the Commission as well as on Greece…there is no doubt that the new roles which the Commission adopted after 2000 significantly changed our relationships. Up until that time the Commission was deciding in partnership with us…they should have understood, though, that since this changed we understood that we take all the major decisions…we are open to any auditing or monitoring by the Commission but we are not open to detailed recommendations about how the programmes should be run…at the end of the day we are the ones who are accountable, according to Law 1260/1999.

The misunderstanding about the exact roles that the Commission would play in the policy cycle of the third CSF was the result of the reinterpretation of the principles of partnership and additionality that the Commission promoted in the third CSF and was discussed in chapter 5. Although the supranational executive actively wanted to devolve greater responsibility to the member states especially in the stage of drawing of the CSF, a Commission employee admitted that they finally had to be more ‘interventionist’ in the Greek case. He justified that with reference to the fact that ‘the Commission was not very impressed’ with the first draft of the third Greek CSF, which was not ‘ambitious enough in its aims to tackle the structural difficulties of the Greek economy and combat the problems of competitiveness.’ Moreover, he pointed out that the Commission was encouraging the Greek authorities to adopt policy measures that did not always correspond with established

---

585 Interview C-5.
586 Interview E-5
domestic practices. For example, the Commission kept pushing towards the adoption of changes in connection with the participation of the private sector in the implementation of projects of social infrastructure, which was resisted by the Greek authorities. When asked about the extent in which the Commission takes into account national circumstances in Greece he replied that they do not want to do so since that would be seen as an excuse. However, this insistence of the supranational executive to ‘steer’ the Greek authorities to certain directions despite the regulatory changes instituted through the introduction of 1260/1999 would leave some Greek officials unsure about the policy actions that they needed to follow. Particularly, the interviewees in the Greek CSF MA were not always certain as to whether what the Commission was asking was binding, a recommendation or guidance.\(^{587}\) Hence, this ambivalence about the roles and the responsibilities between the Commission and themselves was not helpful. This was corroborated by the Commission interviewee who accepted that this situation was ‘a source of some tension between the Commission and the Greek CSF MA.’

Moreover, these difficulties of communication between the domestic authorities and the Commission seemed to extend to aspects relating with the previously discussed lack of coordination of the MAs and the CSF MA. I discussed above the tendency of the CSF MA to interfere in the regional OPs’ communication with the Commission. Similar practices were taking place in the communication of the sectoral OPs with the Commission, which leave the supranational executive unsure as to what is the official position of the Greek administration on a specific issue. This is the case because it was not infrequent for a sectoral OP to have a view on a policy issue and the CSF MA to have another. Sometimes these conflicting views would even be expressed during the meetings of the Commission with representatives from the Greek CSF MA and sectoral OPs\(^{588}\) which showed a lack of preparation and coordination between the relevant authorities.

Relating with this issue is an anecdote shared by a Commission interviewee about his experiences with meeting Greek officials that provide an indication about broader

---

\(^{587}\) Interview C-5.

\(^{588}\) Mousouroulis, 2010.
differences of administrative culture between the Greek authorities and the Commission. In particular, he recited several meetings with officials of the CSF MA with the Commission in which the representatives of the former were discussing issues relating with the progress of the third CSF without using any documents or indicators through which to substantiate their arguments. As he put it:

They seemed to be more interested in discussing in very abstract terms whereas the Commission only works with concrete information.

The previous four subsections identified specific patterns of interaction amongst the separate institutions participating in the management of the third CSF, which seem to have hindered the implementation of the programme in a developmental manner. The next section attempts to link these two issues – the institutional difficulties and their implications in terms of implementation – more explicitly by incorporating them in the conceptual framework that I employ in the thesis.
Figure 6.1. Community Support Framework III Operation Agencies

Source: hellaskps.gr
6.5. The interaction between the EURP and the internal and interactive state capacities

In this section I attempt to elucidate the consequences which the introduction of the principles governing the operation of the EURP and the management tools implicit in those had for the internal and interactive capacities of the Greek state. In chapter 2, I introduced the elements of the conceptual framework that I employ in the thesis. In particular, I discussed the distinction that Evans\(^{589}\) makes between the ‘weak’ and ‘strong’ states. He points towards the interaction between the internal and the interactive capacities of the states in order to classify their developmental interventions in these categories. The internal capacities of the state relate mainly to its corporate coherence, its ability to make its activities as autonomous as possible from the broader political workings of the country in which it operates the extent of the support that it enjoys from the judiciary and the coordinative abilities of the individual departmental agencies.

As was made clear from the above sections, the Greek state had never developed any coherent approach in the field of regional development policies before the introduction of the EURP. The meagre attempts to tackle the ‘regional problem’ were not accompanied by any institutional changes and the central state played the predominant role in the process of managing the relevant programmes. After the introduction of the first IMPs and with the initiation of the first two CSFs the central authority, in the form of the regional policy department of the Ministry of Economy, remained the main actor participating in every stage of the programmes. Moreover, despite the introduction of the principles of programming and concentration, the authorities that managed the programmes did not succeed in adhering to the initially agreed developmental priorities and objectives. The regional and sectoral OPs were constantly reorganised in accordance with the progress of the absorption rates of each programme. Hence, the initially agreed developmental objectives were not followed during the implementation stage. Therefore, the internal coordinating capacities of the Greek state changed very little as a result of the IMPs and the first two CSFs and the influence of the EURP was limited.

---

\(^{589}\) Evans, 1995.
The evidence presented in section 6.4 corroborates the view that the situation remained more or less unchanged with the third CSF. Certainly, the introduction of a network of administrative authorities that would participate in the management of the programme significantly altered the policy orientation of the Greek state. It was practically the first time in the history of the country that a developmental programme was accompanied by such decentralised institutional structures, each of them assigned to manage and monitor specific policy areas – both in sectoral and geographical terms. The MAs of the sectoral and regional OPs undoubtedly represented significant steps towards an improvement in the coordinating capacities of the country’s administrative structures. Nevertheless, the endemic patterns of inter-institutional rivalries and lack of cooperation prevailed.

In particular, the predominance of the central authority in the form of the CSF MA, which replaced the regional policy department of the Ministry of Economy, was established during the implementation stage of the third CSF. The sectoral OPs were not allowed much space for autonomous action and would see funds that were initially appropriated to them diverted to regional OPs. Especially the OPs that aimed to improve the qualitative elements of the Greek economy seem to have been allowed little scope to act autonomously. Most importantly, the rivalries between the CSF MA and the Ministry of Public Works significantly impeded the progress of the third CSF. Furthermore, the auditing methods introduced in the third CSF have hardly improved the capacities of the Greek administrative system, with the ‘n+2’ rule being more or less ignored for the period of the third CSF. Furthermore, the requirements of evaluation of the regional and sectoral OPs was hardly justified with the produced evaluations being of very low quality, produced by bodies with limited independence from the MAs and with insignificant perceived utility.\textsuperscript{590}

Finally, the politicisation of the programmes became an endemic characteristic of the programme, with the ministries where the MAs were located constantly interfering in their operation. Thus, the independence of the developmental institutional authorities from the wider political workings of the country was not achieved. This interference was primarily manifested in the process of recruitment of personnel for the sectoral MAs. The ministers

\textsuperscript{590} EPRC, 2009.
and the Director Generals of the regional authorities influenced the process of the transfer of employees from the central ministries to the sectoral and the regional MAs even though according to the regulations of the EURP the latter were independent. Moreover, after each election, the ‘freezing’ of civil servants who were seen as very close to the previously governing political party affected even core MOU employees.

Similar results for the Greek case can be drawn in relation with the limited impact that the EURP had in terms of improving the domestic administrative and absorption capacities. As Mousouroulis\textsuperscript{591} points out when evaluating the impact of the introduction of the MIS in the third CSF:

\begin{quote}
The new [administrative] system was a good first attempt to introduce at the domestic level some strict rules relating with the implementation of the structural funds but their overall impact in terms of improving the productivity of public administration was not satisfactory. In most cases the operational rules were thought as an additional and unwanted intrusion in the activities of the civil service and left very little lasting impact.
\end{quote}

Certainly, this was related with the processes followed when the MIS were designed in the mid 1990s. As an interviewee\textsuperscript{592} who had inside knowledge of the processes followed at the time pointed out, because of the tight deadlines in which the available funds had to be absorbed, the Commission officials that were responsible to work with Greece chose to effectively bypass the country’s public administration. As he put it:

\begin{quote}
At the time, we thought that there was simply not enough time to reorganise the whole civil service...so we just worked from scratch, creating new organisations, attracting personnel from the private sector which was more accustomed to working with these requirements...whoever from the core civil service wanted to participate in that effort was welcome but they would have to be retrained, reappraised etc, whoever wished to remain in their position and not collaborate we would simply move on and not pay much attention. There was no time to waste... this practice worked in the short run but in terms of leaving a legacy to the wider civil service I don’t think it did.
\end{quote}

\textsuperscript{591} 2010.

\textsuperscript{592} Interview E-4.
The limited impact of the policy in that respect is corroborated by the Commission evaluation of the effects that the introduction of the Management and Implementation Systems (MIS) had for the member states. In particular, Greece is seen as a case of resistance in the changes intended through the introduction of the MIS. This resistance is mostly relevant when it comes to the application of the principle of partnership where the domestic traditions of limited interaction between state and socioeconomic actors is the main characteristic that explain the limited changes achieved. However, the influence of the domestic traditions in cancelling out any significant impact by the MIS is not only identified in relation with the principle of partnership. The principle of programming has been enforced in a patchy manner and there was no effort to incorporate the logic that accrues from this principle to the wider domestic institutional system. Thus, apart from the programming introduced through the EURP regulations there was no national domestic system of strategic planning processes for domestic resources. Overall, as the study puts it:

> There are persistent deficiencies in Greece in the management and implementation of policy, as indicated by: the late implementation of IT tools for financial management under the national programme (due not least to the lack of familiarity of staff with IT); an apparently widespread scepticism among public administrators on the utility of some cohesion policy practices (especially evaluation); and a perception of the implementation support bodies (particularly MOU) as being ‘foreign’ to the mainstream public administration. Furthermore, fieldwork evidence suggests that the complexity of the 2000-2006 CSF procedures, combined with the administrative costs and the inherent weaknesses of some Final Beneficiaries have created a ‘two speed’ public administration. Notwithstanding clear institutional influences, the degree of cultural (and operational) spillovers of the lessons learnt with the implementation of cohesion policy onto management and implementation of domestic policy has therefore been limited.

This is not to say that the impact of the EURP in the Greek domestic political and administrative system has been negligible. Indeed, the aforementioned study by the Commission identifies significant positive effects driven by the introduction of the MIS. For example, the introduction of MOU has helped attract personnel from the private sector that contributed to the generation of new skills. As an interviewee put it:

> Establishing an organisation like MOU but also all the MIS would have been unthinkable and a fantasy scenario for the country had it not been for the EURP and the pressure exerted by the Commission in that direction. Even in the early 1990’s,

---

593 EPRC, 2009.
when the final decisions for the precise form that the MIS would take, people familiar with the Greek reality were adamant that the new administrative schemes would not have been accepted by the country...however, MOU was established and its employees developed a level of technocratic capacity which has never existed in the country...I am confident that a distinct administrative culture established through the constant training, evaluation and appraisal of all its employees was created as a result.

Also, in terms of the operational impact it was more than substantial for the case of the major projects that were financed through the European Regional Development Fund (ERDF). As was shown in chapter 5 these have been completed more or less successfully and significantly enhanced the country’s stock of physical infrastructure. In this particular policy area ‘there has been significant transfer of know-how that will definitely be used in the future construction of projects of physical infrastructure, an issue that has always been a cause of difficulties for Greece’.\(^{594}\) Also, the introduction and –partial at least- application of the principle of multi-annual programming was important given that Greece has always designed short term budgets without any consideration about future outcomes.\(^{595}\)

However, there was less of a discernible operational effect in other areas of intervention as well as in the patterns of institutional interaction. Thus, it could be said that overall, the changes that accrued from the introduction of the MIS had mainly to do with the establishment of new institutional bodies rather than the operational procedures followed through their operation; hence the prospects for them being permanent are far from significant. As the study concludes:

> The slow, partial and perhaps non-lasting nature of some of the changes found in Greece [can be explained because] the objectives of an efficiency-driven agenda of a technocratic elite do not coincide with the desires of a majority of civil servants (and even civil society) more inclined to maintain the status quo.

Similarly to the evaluation report about the introduction of the MIS, the synthesis evaluation report prepared by the Commission, also expressed reservations as to how lasting the effects of the EURP can be in the domestic administrative and political systems. In this context it suggests

---

\(^{594}\) Interview E-4.  
\(^{595}\) Interview E-4.
a fundamental change in the attitudes towards evidence based policy making which was unsympathetic throughout the period 2000-2006 and an acceptance of its critical importance.

Having discussed the impact of the introduction of the institutional network that managed the EURP on the internal administrative and absorption capacities of the Greek state, I now turn to its impact on the state’s interactive capacities. According to the conceptual framework that I developed in chapter 2, the interactive capacities relate to the existence of successful and mutually reinforcing ties between governmental officials, representatives of the private sector, and civil society. The concept of ‘Governed Interdependence’ proposed by Weiss⁵⁹⁶ is an appropriate one in order to capture the dynamics of these interactions. In addition, Evans⁵⁹⁷ offers the concept of ‘state-society synergies’ in order to describe similar processes. He distinguishes between complementarity and embeddedness as the two constitutive forces in the creation and sustaining of such interactions. Complementarity entails clearly defined roles for the bureaucratic and the non-governmental actors through which the developmental programmes are implemented. Embeddedness describes the interactions that develop between the two spheres, with trust and the existence of adequate levels of social capital being the mediating factors that determine the quality of these interactions. The most important aspect of these conceptual discussions is that at no point are the state actions theorised in isolation from the external governmental actions. The internal and the interactive capacities are mutually reinforcing and complementary.

The introduction of the four principles governing the operation of the EURP, as well as the management tools that accompany them, were intended to improve these capacities for the member states and hence for the case of Greece. Moreover, the reorganisation of the political geography of the country – implemented through its domestic reforms – also aimed at decentralising the heavily centralised state apparatus of the country. Nonetheless, the evidence in chapter 6 suggests that the predominance of the Ministry of Economy –this time in relation to the sub-national authorities – was not challenged significantly during the IMPs and the first two CSFs. Especially after the territorial reforms that took place after the

⁵⁹⁷ Evans, 1996.
mid 1990s, the scope for the institutionalisation of increased participation by the regional and local authorities increased significantly. This would promote the objectives - particularly of the principle of partnership - which aims at improving the efficiency of the programmes by simultaneously opening up avenues for democratic participation of sub-national stakeholders. This process would create ‘state-society synergies’ through which the bureaucratic authorities and representatives of socioeconomic interests would act in complementarity in order to achieve the developmental goals set out in the programmes. Nonetheless, this has hardly been the case with the partnership between the central authorities and the Commission being the most significant outcome in that respect. Characteristically, a Commission employee confirmed that in the case of Greece the principle of partnership was only adopted by the Greek authorities because it ‘was asked to do so’ by the Commission and it did not produce any significant changes in the quality of bottom up participation.

The situation changed very little during the third CSF despite the consolidation of the operation of the regional MAs and MCs that provided specific channels for the improvement of the capacities of the regional authorities. The MCs were captured by clientelistic interchanges, and the promotion of short term vested interests replaced any space for democratic participation. The low levels of social capital seem to have cancelled the effects that were intended by the introduction of the principle of partnership. The method of assigning the projects to the final beneficiaries was often opaque and the patterns of corruption and patronage seem to have prevailed in the process.

Furthermore, the operation of the regional MAs was not accompanied by any transfer of fiscal competences, whilst the administrative personnel arrived in the MAs from other sub-national authorities following opaque practices. As in the case of the processes followed in the sectoral MAs, the personnel of the regional MAs was comprised of employees who came through competitive exams organised by MOU as well as employees of local authorities and prefectures who were transferred to the regional MAs. The methods that were followed in order to complete the latter process seem to have been at least partially based on clientelism and patronage. Therefore, the Europeanising influences exerted by the
incorporation of the principle of partnership into the Greek political and administrative system did not significantly alter the patterns of the reduced participation by sub-national actors.

It is worth pointing out that the evidence presented in subsection 6.4.1 suggests that top-down as well as bottom-up factors seem to have contributed to this situation. This is to say, the centralised state did not allow for greater participation by sub-national actors. Simultaneously though, the regional and local actors did not take advantage of the opportunities presented to them by the incorporation of the principle of partnership. If anything, the traditional patterns of state-society interaction based on clientelism and patronage and also linkages based on party politics have hindered the creation of autonomous interests at the sub-national levels. Thus, the sub-national authorities were not able to engage on equal terms with the centralised Greek state and partnership remained largely confined to a consultative role.598

It can be said that the principle of partnership was not intended to influence the domestic administrative and political system in isolation from the other principles and management tools. It was meant to operate in a vertical manner and to affect the execution of the programmes at both sectoral and regional levels. However, a similar picture emerges in the assessment of the impact that the rest of the principles had on the prospects for the creation of networks of ‘Governed Interdependence’ and ‘state-society synergies’ in the Greek case. Specifically, the capacity of the regional MAs to coordinate their actions with each other and also the socioeconomic actors that would become final beneficiaries was constrained by the limited autonomy that they enjoyed throughout the IMPs and the first two CSFs as a result of the lack of constitutional decentralisation. Even after the process of decentralisation of the 1990s, however, the situation did not alter significantly.

Thus, in the third CSF the application of the management tool of project selection that would be conducted in accordance with the principles of programming, concentration and partnership was hardly justified. As was seen in chapter 5, the process of identifying the

598 EPRC, 2009.
final beneficiaries, especially at the regional level, became one of the main reasons behind the significant delays that the programme faced. Similarly, the tools of financial control and monitoring seem to have been applied in a patchy manner, since the sub-national authorities and especially the local authorities did not have the administrative capability to perform their roles.

Overall, the established patterns of limited scope for interaction between the Greek state and the surrounding socioeconomic environment changed very little as a result of the instigation of the third CSF. Although the funds that became available were in the end absorbed, the institutional impact planned by the introduction of the principles and the management tools was limited. The establishment of the regional and sectoral MAs presented significant opportunities to the domestic socioeconomic actors for the creation of synergistic networks of complementarity and embeddedness. Nonetheless, neither the established low levels of institutional capacity nor the limited scope for the development of horizontal networks in the civil society were altered significantly.

In terms of the conceptual description regarding the Europeanisation of the domestic institutional structures in the field of the EURP, in accordance to the possible responses proposed by Leonardi, the response has been one of adaptation. At the structural level, the relevant authorities seem to have adapted the requirements that emanated from the EURP in a selective and formalistic manner. The new rules were adapted in such a way as to convince the Commission that there was an effort to conform to the regulatory framework. Most importantly, the objective of absorbing the funding and avoiding the forfeiture of any of it took precedence over any other organisational consideration. Hence, issues of planning and coordination were selectively incorporated into the regional and sectoral OPs, whilst any cultural changes in administrative terms have been minimal.

However, that does not mean that the creation of the decentralised systems of governance in the field of regional development policy cannot become the catalyst for the continuation of further reforms that would strengthen the institutional capacity and improve the levels of

---

599 Leonardi, 2005.
participation of the administrative actors. These issues are discussed in greater length in the concluding chapter.

6.6. Conclusion

Chapter 6 attempted to provide further empirical evidence in order to answer the research question that I pose in the thesis. Specifically, it focused on the institutional issues that affected the implementation of the EURP in Greece. The discussion was twofold with the institutional issues that emanated directly from the EURP being addressed in conjunction with those that took place as a result of domestic considerations. Thus, the second section started with an overview of the institutions that existed in the country in order to support the meagre attempts for regional development policy before the initiation of the EURP. It then discussed the institutional changes that occurred in this policy field immediately after the introduction of the IMPs in 1986. The introduction of the regions in 1986 was basically the only discernible effect that the instigation of the policy had in institutional terms. The third section addressed the issues of the institutional support that was available for the implementation of the EURP in the 1990s. A series of reforms that would promote decentralisation of the competences of the sub-national authorities were pursued with greater vigour at the time. The section after that focused on the institutional changes that occurred during the third CSF. The reform of the Structural Funds in 1999 entailed the creation of a separate administrative network that would manage and monitor the implementation of the third CSF.

This section was further divided into four subsections, with each one attempting to capture the patterns of the interactions between the constitutive elements of this administrative network and the domestic institutional authorities. Then, the section that followed attempted to link the changes discussed in the previous parts with the conceptual framework that I elaborated in chapter 2 and operationalised for the case of Greece in chapter 3. The main conclusion drawn from this section is that the endemic patterns of state-society interaction discussed in chapter 3 changed very little with the introduction of the EURP. Although there has been undoubted progress in terms of policy orientation, the administrative network created as part of the third CSF, as well as the domestic attempts at
decentralisation and improvement of the participation of the sub-national authorities, became embedded in previously existing organisational structures. The next chapter concludes the thesis by discussing the main themes that emerged throughout the thesis and their policy implications, as well as prospects for future research along this line of enquiry.
Chapter 7. Conclusion

7.1. Introduction
This chapter provides the conclusion to the thesis by summarising the main issues that were addressed in the previous chapters and by discussing the policy implications of the results that I have presented. Moreover, it points towards the direction of future research in the area of the EURP that could complement the results of the thesis and the areas in which the thesis contributes to addressing the limitations of this literature. In particular, in the next section I provide a synopsis of the research as well as the main results that were presented in the chapters. In the penultimate section I address the limitations of the literature that examine the patterns of implementation of the EURP in the recipient countries and of the studies that discuss the configurations of the Greek political economy. Also, I discuss the ways in which the research presented in the thesis addresses these limitations and contributes to the fields of comparative political economy and EU studies. The final section examines the policy implications that the theoretical and empirical materials presented in the thesis entail.

7.2. Overview of the Research
The main research aim of the thesis was the elucidation of the reasons behind the ineffective deployment of the EURP in Greece. In order to provide an answer I developed a conceptual framework based on the theories of state and administrative capacities on the one hand and the theories of Europeanisation and implementation on the other. I postulated the argument that the institutional capacities of the Greek state – both internal and interactive – did not allow the implementation of the programmes financed through the EURP to be influenced by the tangible effects of Europeanisation.

In particular, I put forward the argument that the adoption of the four principles governing the operation of the structural funds, and also the management tools implicit in those, provided the empirical filters through which the pressures of Europeanisation came into the country. These influences involved all three spheres of socioeconomic activity: the public sector, through the creation of the Managing Authorities (MAs) and the Intermediate
Bodies (IBs); the private sector, through the participation of the final beneficiaries and the IBs; and the third sector, through the participation of actors representing civil society organisations in the Monitoring Committees (MCs). Despite the important opportunities offered by the introduction of the principles, the evidence that I presented in chapters 5 and 6 confirmed the initial hypothesis that their administrative and political effects were limited.

Specifically, after discussing the elements of the conceptual framework in chapter 2, I discussed in chapter 3 the characteristics of the Greek political economy related to the state-society interactions. In that chapter I discussed the specific elements that contributed to the weakness of the internal and the interactive capacities of the Greek state. These do not seem to have altered significantly despite the participation in the EU and the Europeanisation of the country’s polity that became evident during that period. Chapter 4 put forward the concept of the ‘added value’ of the EURP in order to capture the specific elements that the policy offers apart from its impact on macroeconomic terms. After a brief discussion of the theoretical issues as well as the major turning points of the policy, the chapter focused on the principles that govern the operation of the EURP. These provide the tangible effects of Europeanisation for the recipient countries and aim at stimulating local and regional economies through institutional and administrative changes. The penultimate section of chapter 4 made a first attempt to link the conceptual framework that I presented in chapter 2 with the ‘added value’ that the EURP offers.

Chapter 5 attempted to provide empirical substantiation for the hypothesis that I presented in the introduction regarding the implementation difficulties that the EURP has faced in Greece. It stated that these difficulties were clearly apparent even at the time of the introduction of the IMPs in 1986. Although the rates of absorption at the end of each programme have been satisfactory, the application of the principles was hardly justified. Especially after the introduction of the first CSF, the Commission attached a series of requirements that would accompany the implementation of the programmes. Nevertheless, the Greek authorities seem to have ignored these requirements, with constant modifications of the initially agreed plans becoming an integral part of the programmes. The initially
allocated funds were constantly reorganised amongst the regional and sectoral OPs with the sole objective of achieving better rates of absorption.

The problems of the absorbing capacity of the regional OPs in particular were evident in the first CSF and led to funds being redirected to the sectoral OPs. This has left the regional authorities ill equipped to face the challenges of subsequent programming periods. Furthermore, the first CSF was almost exclusively employed as a national developmental policy in obvious contravention of the principles of partnership and programming. In terms of the physical output produced, the evidence that I provided in chapter 5 suggested that many of the physical infrastructure projects that had taken the lion’s share of the programmes were left incomplete. Some of them continued through ‘bridge projects’ in the second CSF with little synergy between the developmental priorities of the programming periods being achieved.

Similar problems with the implementation of the programmes were identified in the second CSF. It is true that in terms of the physical outputs produced, certain large scale physical infrastructure projects were initiated in that period. These were, though, mainly built in the capital Athens, which did little to alter the previously established patterns of assigning more importance to the national section of the CSF at the expense of the regional part. These forces were also facilitated by the undertaking of the Olympic Games as well as by the austerity measures that were required to achieve the convergence criteria. The principle of additionality could not be enforced for the regional OPs since identifying proper final beneficiaries was particularly difficult. Thus, the sectoral OPs enjoyed significantly improved appropriations compared to the initially agreed distribution of the funds.

Chapter 6 discussed the issues of the impact that the EURP had in institutional terms and reached the conclusion that as far as the first three programming periods were concerned, the implementation patterns discussed above significantly restrained the capacity of the regional authorities to participate effectively in the programmes. There were limited changes in the internal capacities of the relevant administrative authorities whilst they also faced considerable difficulties when it came to their attempts to embed themselves within
the surrounding civil societies. The institutional response at the sub-national level has been one of multiplication, with the regional and local authorities retaining the endemic characteristics of patronage and clientelism in the management of the projects. A combination of top-down as well as bottom-up processes resulted in the limited effectiveness of the programmes in administrative and political terms. The regional policy department of the Ministry of Economy retained its strong role in the process, involving itself in almost every stage of the programmes.

In the second CSF, certain important institutional changes took place which seem to have slightly improved the internal and the interactive capacities of the administrative network that participated in the implementation of the programme. Apart from the exogenous pressures emanating through the ‘added value’ of the EURP, there were also some important institutional reforms initiated at the domestic level aimed at decentralising competences at the prefectural and local levels. However, the reforms undertaken were limited and there was concern expressed by interviewees who had participated in the management of the second CSF as to how few of the requirements set out by the four principles were put into practice. For example, the outsourcing to private consultancies of work that was supposed to be completed by the civil service was used as a method of countenancing these problems of institutional capacity.

Both the problems of implementation that characterised the first three programming periods and the institutional issues that affected the execution of the programmes provided the legacy on which the third CSF built. After three programming periods, both the domestic and the Commission officials have been better prepared to face the challenges that the introduction of the programme entailed. In relation to the patterns of the implementation the empirical evidence suggested that the picture did not change significantly. Projects from both the Cohesion and the Structural Funds faced significant delays until 2004 whilst projects from the second CSF had yet to be completed. Again, the regional OPs faced the most considerable difficulties and had significant resources redirected to their sectoral counterparts as a result. A series of reasons for the delays were identified, the clientelistic interchanges based on patronage being one of them. These were identified at both the
national and the regional levels where both political officials and stakeholders attempted to influence the project selection. The multiplicity provided by the national legislation that governed developmental plans, the difficulty of the judiciary system in intervening in cases of legal disputes and the lack of information about the existence of the funds were the other reasons.

The introduction of stricter rules concerning the financial management of the projects was intended to assist in overcoming these problems. The ‘n+2’ rule in particular aimed at hastening the rates of absorption by limiting the time frame between the initiation of a project and the provision of the Commission’s funding. However, the evidence presented in chapter 5 suggested that they probably had an adverse effect, since they interacted with a series of political issues of national significance that did not contribute to any improvement in the implementation of the programmes. The deployment of constructive logistics, the revision of the public finances and the attempted introduction of the ‘Main Shareholder’ legislation seem to have made a negative contribution towards the implementation of the third CSF. These issues seem to have caused a general unease in the Commission about the administrative methods followed in the country, and there is little doubt that the impact of these issues was felt by the authorities involved in the regional and sectoral OPs.

With regard to the institutional impact of the introduction of the third CSF, the evidence provided in chapter 6 distinguished between two forces that provided the stimuli for institutional change. Firstly, there were the earlier mentioned domestic reforms that changed the territorial distribution of power which provided for significant decentralisation of competences and improvements in the inclusion of the civil society. Secondly, there was the consolidation of the functions of the institutional network that was set up directly as a result of the EURP providing the exogenous pressures that would influence the administrative capacity of the country. Both these forces aimed at creating better ‘state-society synergies’ that would improve the impact of the partnership principle. Moreover, they would improve the coordinating capacities of the implementing authorities, thus improving the impact of the principles of programming, concentration and additionality. As a result, the combination of top-down and bottom-up elements that resulted in the
predominance of the regional policy department of the Ministry of Economy would be challenged.

The evidence that I presented in the penultimate section of chapter 6 suggested that the changes instigated did indeed improve the institutional capacities of the implementing bodies in terms of policy orientation and administrative planning. For example, it is highly unlikely that the Greek state would have ever directed resources to policy issues that are covered by the thematic and sectoral priorities of the regional and sectoral OPs had it not been compelled to do so through the EURP. For instance, the fact that policy issues such as gender equality, environmental infrastructure, urban development or even the structural determinants of the domestic economy have received attention and separate policies were introduced in order to address them is a direct result of the EURP. Similarly, given the history of strong centralisation that has characterised the Greek political geography, there is little evidence to suggest that the central state would have accepted any transfer of powers to the sub-national levels had it not been for the EURP. Finally, as was made clear in chapters 3 and 6 the difficulties in connection with the co-ordination, planning and programming capabilities of the Greek governmental departments is hardly characteristic of the period under examination. The state has never been able to develop the institutional preconditions needed in order to guide the domestic socioeconomic environment in a programme of transformation. Thus, the establishment of mechanisms that explicitly introduced these policy operations through the EURP is undoubtedly very important.

However, when it comes to the stage of the implementation of the programmes, the previously established patterns seem to have changed very little. A series of issues identified through the fieldwork contributed to that, with the continued predominance of the Ministry of Economy this time in the form of the CSF MA being the first such issue. None of the interviewees doubted the predominance of the CSF MA and most confirmed that its role extended far beyond its role as the coordinating institution. Interestingly however, even employees of the regional OP suggested that if this had not been the case, the third CSF would have faced further difficulties. Similar issues were identified in the relationship

---

600 CEC, 2010.
between the CSF MA and the organisations that were responsible for the management of the sectoral OPs. The latter however were less likely to accept the predominance of the CSF MA, and antagonisms and a lack of coordination – which were already apparent in the previous periods – ensued.

As a result of these factors, the introduction of the EURP does not seem to have altered the previously established patterns of state-society interaction. The internal and coordinative capacities of the Greek state did not change significantly and the Europeanising influences exerted through the incorporation of the principles that governed the operation of the EURP produced limited outcomes. In addition, the capacity of the state to embed its activities in the surrounding socioeconomic environment as well as the ability of actors representing civil society to participate in the programmes on an equal basis remained limited. Therefore, the influence of the EURP in the domestic political and administrative systems was limited. The relevant authorities incorporated the rules stipulated by the principles and the management tools in a selective and formalistic manner. There was limited change in the culture of the civil service in Greece, with the individuals applying the rules in such a way as to convince the monitoring authorities that they were fully complying with them.

This is not to say of course that such changes will not be forthcoming in future programming periods, should the EURP continue to finance coordinated programmes of regional economic development in Greece. The ‘policy environment’ that was created in the form of the administrative network that supports the implementation of the EURP is an undoubted innovation. It created a system that influences all spheres of socioeconomic activity and can be employed in the future as a basis for the reversal of the problems that I identified in the thesis. The question is to what extent this administrative network will retain the autonomy that, according to the EURP regulations, it should enjoy, or whether the administrative practices of the wider civil service will become apparent in this context. In that respect, the explosion of the fiscal situation in the country in 2009-10 and the requirement to reduce the civil service as a condition for the receipt of the low interest rates loan may result to the destruction of this administrative network -the MIS- altogether. In particular, in its admittedly understandable zeal to reduce the remunerations of the civil
service so as to reduce the public debts, the core executive apparently think that the MIS should be seen as quangos that need to be scrapped.\textsuperscript{601} Hence, the sectoral MAs would be incorporated to the core ministries and the regional MAs to the regional authorities that were created in 2010. Thus, the spillovers that the MIS could have provided to the wider institutional practices of the country are inadvertently linked to domestic political developments. Therefore, it becomes obvious that in order for the participation in the EU to exert more influence, it needs to be accompanied by domestic reforms that will improve the administrative and political systems.

For example, the domestic reforms that altered the Greek political geography have created the preconditions for further changes that need to be undertaken in this field. There is little doubt that despite the problems that these reforms have encountered, they have improved the patterns of state-society interaction. It is important however to learn from past mistakes and try to diminish their impact in the future. For example, the number of the LGAs is big even after the amalgamation that the Kapodistrias plan introduced hence they need to be reduced. Finally, the number of the regional authorities needs to be reduced in order to improve the coordinating capacities between them. These changes however need to be accompanied by reforms that will substantively decentralise administrative and -most importantly- fiscal competences.

7.3. Limitations of and contributions to the existing literature. Avenues for future research

As was stated in the introduction, the thesis aims to contribute and advance the limitations of two branches of literature. Firstly, it aims at addressing the limitations of the literature that examines the patterns of the implementation of the EURP in the recipient countries. It does so by contributing to the elaboration of a conceptual framework that is sensitive to the impact that domestic mediating factors play in determining the outcomes of the policy. Secondly, it attempts to address the limitations of the research that examines the configurations of the Greek political economy. This was achieved through the elaboration of a theoretical framework that stressed aspects of embedded characteristics of social and political action that determine the outcomes of state-society interactions. What both these

\textsuperscript{601} Interview E-4.
research contributions share of course is an interest in the domestic levels of the member states as primary determining factors of the influences exerted by the external forces of Europeanisation. Thus, they are interested in a research orientation that is comparative in nature, takes national histories and cultures seriously and avoids generalisations about the impact of the forces of globalisation and/or internationalisation in the EU countries.

To elaborate on the first issue, the thesis identified a need for the study of the impact of the EURP in the recipient countries to complement their results with the study of the institutional impact that the policy produces. Many studies have attempted to discuss the impact of the EURP in the recipient countries or the EU as a whole. The results of these studies identified the impact that the policy has produced in terms of growth, job creation, increases in productivity etc. These results either support or dismiss the importance of EURP depending on the initial assumptions of the researchers. However, this research needs to be enhanced with the study of the influences exerted domestically by the regulatory framework that accompanies the policy either in its’ the general form of the ‘added value’ or specifically of the Management and Implementation Systems (MIS).

To be sure, this research orientation has gained increased attention in the recent years either within the literature on Europeanisation and multi-level governance or the studies that examine administrative/absorption and institutional capacities in particular. However, as far as the former are concerned they tend to focus exclusively on political aspects of analysis Whilst the latter tend to attempt to isolate the impact of the EURP on administrative capacity. The conceptual framework and the empirical results presented in the thesis could add to these insights by focusing on wider aspects of state-society interaction such as clientelism, patronage and corruption in determining the institutional impact of the policy. Thus, although the political characteristics of the interaction between the domestic political systems and the regulatory framework that emanates from the EURP gain significant importance in the thesis, wider mediating aspects of the relationship between government and the surrounding socioeconomic environment also play an important explanatory role. For example, there is little doubt that clientelism and patronage,

602 For example the literature on multi-level governance
as they have developed historically as ways of incorporating social actors have had significant impact on the final configurations of the MIS in Greece. Yet, these characteristics are almost explicitly dismissed by one of the more authoritative studies about administrative capacity that has emerged in recent years.\(^{603}\) Therefore, the aim of the thesis is to complement the results of these studies by redirecting attention in the study of embedded elements of interaction between state and the surrounding socioeconomic environments. Certainly, this conceptual framework can be deployed in the study of the impact of the EURP in the countries that have started receiving cohesion funding after the last two waves of EU enlargement. Despite some similar characteristics in the political, socioeconomic and administrative spheres, these countries have disparate historical experiences. The study of their impact in the institutional outcomes produced through the EURP is more pertinent than ever; hence comparative in-depth research is important.

Moving to the second part of the contribution to the literature that is aimed through the thesis, the aim is to advance the theoretical and accompanying empirical study of the Greek political economy through the concurrent examination of the influences exerted between the spheres of governmental activity and civil society. When confronting the problems that the Greek polity faces,\(^ {604}\) academic commentators tend to conclude that either cultural change is needed or that the Greek state needs to be modernised. In the first case, improving an atrophied and weak civil society is proposed as the only solution for the improvement of the prospects of the country.\(^ {605}\) Through that process the Greeks will appreciate the merits of actions that are free from the restraints of a patronising state and will act autonomously in order to achieve their objectives. In the second case, the suggestion is that the Greek state is inefficient and in urgent need of reform and the introduction of public sector reforms is the sole way in which the country can improve its competitiveness.\(^ {606}\) Both these approaches are valid and the thesis concurs with much of their theorising and empirical results. However, what both of these approaches fail to

\(^{603}\) Milio, 2007
\(^{604}\) which became central to the crisis of the eurozone during 2009-11.
\(^{605}\) Diamandouros, 2000; Mouzelis and Pagoulatos, 2005.
\(^{606}\) Pelagidis, 2005; Papoulias, 2007.
identify is that the two spheres are interdependent and any change in one is likely to be met with resistance from the other.

Therefore, there is a need to appreciate the merits of conceptualising academic literature and also to inform public policy debates with the notion that any reforms need to take into account the separate concepts of state and society as well as their co-dependency. The extent of the embeddedness of the state in the surrounding socioeconomic environment is partially but not wholly dependent on the levels of social trust that exist in the country. Higher levels of civil society would have assisted in the formation of a better informed, more autonomous and self-organised society in Greece. This would have improved the competitiveness of the economy and would have assisted in the creation of higher rates of socioeconomic growth. However, such characteristics that may counteract the influences exerted by traditional forms of interest intermediation such as clientelism and patronage cannot and will not arise automatically. The state has an important role to play in the creation of such structures through generating the necessary structural frameworks that would assist cooperation and bridging relationships and help the building of social trust. Hence, the expansions of governmental activities together with the radical reformulation of its operational practices are the necessary prerequisites for the creation of a more vibrant civil society. Simultaneously, the expansion of voluntary associations and of social groups based on horizontal ties between its members –trade unions, environmental groups etc- would offer a useful complement to the governmental activities.

Finally, it is worth pointing out that the two strands of literature employed throughout the thesis do not only aim at complementing the existing respective literatures. The contributions in the study of the impact that the EURP has in the recipient countries and the configurations of the domestic political economy of Greece produce a separate strand of the conceptual framework that also contributes significantly to the existing knowledge. It aims at overcoming the divide between the -admittedly wide- area of EU studies\footnote{McGowan, 2009.} and the studies that come from comparative political economy.\footnote{See Hall and Soskice, 2001, Skocpol, 2008, Vogel and Barma, 2008 amongst others} The former focus on the domestic
responses that ‘Europe’ or the ‘EU’ produce domestically whilst the latter are interested in institutional domestic configurations both at the level of state capacities, civil society organisations and economic actors. Through adopting a conceptual framework that concurrently examines these dynamics, the aim is to stress the importance of identifying the external pressures emanating from the EU and how they are internalised in the domestic political economy structures. Thus, a conceptual innovation is that the domestic impact of the EU is discussed in conjunction to the pre-existing institutional factors that determine economic outcomes. Certainly, the focus of the thesis has been in one specific policy domain- the EURP- and the Greek political economy context. Nonetheless, the combination of these two literatures can provide a useful orientation for research undertaken in other policy areas that are directly or indirectly affected by the EU and/or countries with similar institutional characteristics to Greece. Having discussed the conceptual contributions that are aimed through the thesis, the focus now turns to the policy implications that the empirical material that was presented entails for Greece and other EU countries.

7.4. Policy implications

The overall theme that has emerged throughout the thesis is that in the case of Greece there is an apparent disjuncture between the regulations that govern the EURP and the domestic administrative and political practices. These have influenced the implementation of the programmes and specifically hindered their execution in a developmental manner. These issues were revealed after the conduct of extensive fieldwork in the case study country. The main empirical contribution of the thesis is that the fieldwork was conducted in the period after the establishment of the MIS in the early 2000s. The Commission’s strategy has been to bypass the rigid and ineffective core civil service and to create institutions with significant degrees of autonomy from it. The results of the thesis show that this strategy has not borne significant results as the previously established patterns of administrative and institutional interaction cancelled any positive effects intended through the MIS.

It goes without saying that Greece is not the only country that faces such issues. The two waves of enlargement of 2004 and 2007 signalled the accession of countries with similar – albeit not identical – social and political structures to Greece. Certainly, even before the
enlargement, countries such as Portugal, Spain and certain parts of Italy faced similar problems. Nevertheless, there is limited evidence to suggest that these issues are seriously taken into account in the process of drawing up the EURP. The design of the policy is an intergovernmental affair which involves the European Council, the Commission and the EP in co-deciding the regulations that govern the actions funded through the EURP. The new financial perspective which was decided in 2005 signalled the reorientation of the EURP’s thematic priorities and the provision of increased funding for the newly accessed countries at the expense of the original Cohesion countries.

However, the EURP is guided by a policy framework that is oblivious to institutional conditions at the domestic level, including not only public administration practices but also wider issues of state-society actors’ interactions. The regulations governing the EURP – as they are co-decided by the European Council, the European Parliament after receiving the relevant recommendations by the Commission- are still the same for every recipient state and the implementation is still almost exclusively the prerogative of each country. It can be seen that this runs the risk of failing to learn from past mistakes, since the administrative and political practices at the domestic level of the countries that entered the EU in 2004 and 2007 are likely to be in disjuncture with the EURP requirements.

To be sure, it could be argued that the Commission has understood that when the IMPs started in the late 1980’s, more attention should have been given on domestic administrative, cultural and institutional conditions at the domestic level. As an interviewee employed in the DG Regio put it:

There is little doubt that in the cases of Greece, Portugal, Southern Italy and -to a lesser extent Spain- a lot of money given through the structural funds was not used as it should have been used and seem to have been ‘lost’. This is because we were wrong not to have supported these countries technically and take into account issues of corruption, lack of organisational schemes that could support the implementation of the programmes and similar issues.

---

609 Parts of Leonardi, 2005.
610 Yuill et al., 2009.
612 A discussion of the new regulations is available at Bachtler et al, 2007; see also the Barca report, 2009.
614 Interview E-4.
Certainly, as was mentioned in chapter 6, at the middle of the second CSF these problems had become apparent to the Commission which attempted to alleviate them through the introduction of the separate administrative network to manage the EURP in Greece. As another Commission employee\textsuperscript{615} put it, this was because:

After the first two CSFs we understood that the root of the problem in Greece was one of governance so we were keen to promote good governance through the MIS.

Therefore, the ‘steering’ role that the Commission plays during the implementation of the programmes is an important one that adds another dimension to the issues discussed in this section. In particular, although the EURP is guided by a regulatory framework that does not give much credence to the domestic institutional and administrative practices, this trend is partially compensated by the Commission’s –particularly DG Regio’s operation. As a Commission interviewee\textsuperscript{616} put it:

We are trying to be very close to the national circumstances and identify the issues that hinder or improve the execution of the programmes. Our colleagues in other DGs may be adopting a more panoramic view when dealing with the member states. Our intention here [in DG Regio] is to go very deep at the national and sub-national levels and look at the practical aspects of the execution of the projects.

Similarly, another Commission interviewee\textsuperscript{617} pointed out that during the implementation of the programmes:

We are trying to promote networking of the governments with each other but also with actors from civil society and the business sector, foster contacts with colleagues in other member states, encourage countries to import good practices from other countries to their domestic administrative systems...generally we are of the view that it is important to promote the modernisation of the national administrations so as to improve the outcomes of the structural funds...hoping that by creating these ‘islands of modernity’ we can influence the rest of the public administration.

Furthermore, the fact that these issues have gained prominent attention by the Commission is indicated by the incorporation of specific programmes of administrative reform for the 2007-13 programming period. To be sure, there have been individual training projects for

\textsuperscript{615} Interview E-5.
\textsuperscript{616} Interview E-4.
\textsuperscript{617} Interview E-5.
public sector employees in the past CSFs for Greece—‘Politia’ and ‘Praxis’—but the programming period 2007-13 includes a separate OP for ‘Administrative Reform’. This programme will have a horizontal nature and will involve all the implementing bodies – at national and sub-national levels – of the fourth programming period. It will aim at combating the two main aspects that contribute to the difficulties of the manner in which the Greek public administration operates, which have also been identified in the thesis. Thus, it will finance actions concerning the enhancement of civil servants’ skills whilst also focusing on altering the institutional framework governing the operation of the Greek civil service. The aim is the modernisation of the public sector, albeit not in the direction of the introduction of New Public Management reforms. Instead, the establishment of basic bureaucratic procedures, such as the recognition of job identification for each position advertised, is suggested. Furthermore, the introduction of basic methods of meritocratic recruitment and promotion is encouraged.

The incorporation of this OP is undoubtedly in the right direction in attempting to reverse the main impediments to the successful implementation of the programmes. The experience gathered by the implementation of this OP could be used by the EU institutions in order to fund similar programmes in the new member states in future programming periods. The question of course remains as to whether the institutionalisation and the accompanying change in formal rules can lead to changes in informal rules and practices. In other words, even if the reform of the administrative system is the obvious way forward for the amelioration of the problems identified in the thesis, its effect on broader social structures and practices and its potential for the creation of sufficient spillovers cannot be considered certain.

However, this activity on behalf of the Commission is not being followed by the Council when it comes to adopting EURP regulations that are more sensitive to domestic conditions. True, the Council decided to modify the automatic decommitment rule for the newly accessed countries so as to allow them sufficient time to adjust their administrative practices. Additionally, the PHARE programme for pre-accession preparedness was

---

618 Hibou, 2005.
adopted, which stipulated the importance of institution building as the process by which to help candidate countries develop the structures, strategies and processes needed in order for them to successfully implement the programmes funded through the EURP. Nonetheless, the ‘n+2’ rule will start applying after 2010, thus signalling a return to the strict administrative practices—especially those relating with the auditing of the funds—that have contributed to the delays that became evident during the third CSF for Greece.

Furthermore, the initial recognition that some of the Central and Eastern European (CEE) countries faced weak administrative capacities at the regional and local levels, which could lead to mismanagement of the funds, does not seem to have informed the regulations that were finally adopted for the 2007-13 period through the European Council. Similar issues can be identified with regard to the EURP regulations that deal with the enforcement of the principle of partnership. After four programming periods of CSF assistance, the main causes in the different patterns of the implementation of this principle do not seem to have informed the regulations adopted by the Council in consultation with the EP. The centralised states are more likely to ignore the contribution of the sub-national authorities. Conversely, states with a federal system of government will find it more natural to accept sub-national partners as equal stakeholders in the implementation of the policy. Moreover, in countries with reduced levels of social capital, the contribution by actors representing civil society is more likely to be limited. In contrast, countries with established cultures of collaboration and consensus-building will find it easier to implement the only principle that entails specific consequences about the democratic systems of the recipient countries. Thus, it would make sense if the Council which is primarily responsible for the allocation of the EURP funding would distinguish between these groups of countries when deciding on this process. It is hardly realistic to expect countries with limited experience in democratic participation to successfully implement the principle of partnership. Similarly, countries with proven levels of reduced administrative capacity would benefit from being allowed more time to adjust their systems to the admittedly demanding regulatory framework governing the operation of the EURP.

619 Baun and Marek, 2008.
620 Hughes et al., 2004; Dimitrova, 2002.
621 EPRC, 2009.
However, there is little doubt that such a policy shift would imply the reinforcement of the processes of European integration and a significant increase in the administrative capacity of the Commission. As was seen above, the Commission, through its everyday operation attempts to compensate for these weaknesses in the regulatory framework governing the EURP. It does so by working closely with the member states and ‘steering’ them towards the direction of good governance practices that can improve the administrative and institutional outcomes produced through the structural funds. However, despite the considerable activity of the Commission in this policy area, the co-decision procedures lend more power to the Council in the decision making of the EURP regulations. Therefore, a policy turn in the directions suggested in this section would have to involve the assigning of more legislative powers to the Commission and the EP and/or considerable change of political direction at the level of the Council.

Specifically, this policy turn would imply acceptance on behalf of the countries that have traditionally been sceptical about the policy for the need to strengthen the supranational mechanisms for redistribution. The EURP is not always seen as necessary, either by member states that do not benefit directly from cohesion funding or those that favour intergovernmental patterns of EU integration. Similarly, certain Commission DGs are not always convinced about the need for the existence of a policy that is a priori in contrast to their own objectives.\textsuperscript{622} The achievement of a synergy of the objectives pursued through the EURP with the regulations governing competition policy is still a contentious issue that has not been resolved with the adoption of the latest regulations on state aid.\textsuperscript{623}

Furthermore, taking into account the fact that the EU budget is still a predominantly intergovernmental affair, achieving a consensus at the Council level about the necessity for increases in the EU budget is the only way in which the improvements suggested above can be achieved. If anything, the crisis of the common currency after the financial collapse of 2008 seems to have justified those voices\textsuperscript{624} that were warning against the adoption of a

\textsuperscript{622} For example, the DG Competition or the DG Economic and Financial Affairs.

\textsuperscript{623} Wishlade, 2008.

\textsuperscript{624} For example, Krugman, 1994.
common monetary policy without the concurrent adoption of EU fiscal mechanisms. The EURP can undoubtedly provide the blueprint for the adoption of common fiscal mechanisms at the EU level which would provide an institutionalised channel for the distribution of stabilising funding in future crises of the common currency. This can take place inside the discussions for the development of ‘economic governance’ that have been gaining increased attention at the Council level after the financial crisis of 2009-10.625

If these are the implications that the thesis points towards for the EU level, at the domestic level of Greece the policy implications reflect the parameters taken through the conceptual framework adopted throughout the thesis. Therefore, there is little doubt that the country has been on the frontier between EU membership and traditional forms of state-society interaction such as clientelism and patronage for most of its contemporary history. The combined effect of these forces became evident in the financial crisis that erupted in 2009-11 and was briefly discussed in chapter 3. In general, both the forces of Europeanisation and elements of traditional socioeconomic and political arrangements have been influencing the country’s polity. The impact that each of these forces has had is almost impossible to distinguish, and there is a need to accept that they both play complementary albeit at times contradictory roles in influencing political and socioeconomic outcomes. Traditional forms of state-society interaction that also influence administrative capacity exist in order to compensate for the lack of other forms of incorporation. Wide democratic participation based on horizontal networks of association has never existed in the country, largely because of the lack of industrialisation but also because of a long tradition of authoritarianism. Thus, to expect that the country's accession to the EU would alter these practices even after almost thirty years of membership is futile. This is not to say that anyone can doubt the importance of participating in the EU, both in political and socioeconomic terms. However, expecting a complete reversal of a series of national characteristics that have become embedded in the Greek polity because of the participation in the EU is not realistic.

Featherstone, 2011.
Bibliography


Wostner P. The micro-efficiency of EU Cohesion Policy. Glasgow: *European Policies Research Centre,* University of Strathclyde, no 64.


**Newspapers:**

*eleytherotypia,* various issues

*ta nea,* various issues

**Internet sites:**

www.hellaskps.gr

www.in.gr

www.ec.europa.eu

www.ktimatologio.gr

www.mou.gr
Appendix I. List of interviewees

Group A. Sectoral Operational Programmes

1) Dafnomilis, Aggelos, Mr. Head of Unit B of the Managing Authority of the Sectoral Operational Programme ‘Competitiveness’, 25 June 2008.
2) Pallas Dimitris, Mr. Head of Unit B of the Managing Authority of the Operational Programme ‘Railways, Airports, Public Transport’, 23 July 2008.
4) Gogos, Sofoklis, Mr., Head of Unit A of the Managing Authority for the Sectoral Operational Programme for ‘Education and Initial Vocational Training’, 7 August 2008.
5) Krassakopoulos Ioannis, Mr., Head of Unit B of the Managing Authority for the Sectoral Operational Programme for ‘Road Axes, Ports and Urban Development’, 5 August 2008.
8) Vassileiou, Mr., former Head of the Managing Authority for the Regional Operational Programme of Central Greece and former Head of the Managing Authority for the Sectoral Operational Programme ‘Road Axes, Ports and Urban Development’ until 2003, 30 July 2008.

Group B. Regional Operational Programme

1) Papadopoulos Giannis, Mr., Head of Unit C of the Managing Authority of the Regional Operational Programme for Western Macedonia, 30 August, 2004.
2) Mouratidis, Ilias, Mr., former Head of Unit A of the Managing Authority of the Regional Operational Programme for Western Macedonia, 31 August, 2004.
3) Kokkinidis, Panayotis, Mr., Employee of Unit A of the Managing Authority of the Regional Operational Programme for Western Macedonia, 31 August, 2004.
4) Gkantoutsios Konstantinos, Mr., Head of Unit B of the Managing Authority of the Regional Operational Programme for Western Macedonia, 9 September 2005.

Group C. Ministry of Economy
2) Komninidis Nicos, Mr., Head of Planning and Evaluation of Regional Policy, Ministry for National Economy and Finance, 2 September 2004.
4) Triantafyloy Matthoula, Ms., Head of the Unit for Monitoring of Sectoral Operational Programmes, Managing Authority of the Community Support Framework, 24 September 2004.
7) Grigoriou Kostas, Mr. Head of Unit D of the Managing Authority of the Community Support Framework, 30 June 2008.
8) Dimopoulou, Mairi, Ms., Head of the Coordination Service for the implementation of the Regional Operational Programmes, Managing Authority of the Community Support Framework, 17 July 2008.
9) Tsoumanis, Mr., Head of the Coordination Service for the implementation of the Sectoral Operational Programmes, Managing Authority of the Community Support Framework, 12 August 2008.
Group D. Other institutions involved in the management of the CSF III
1) Agourides Dexipos, Director General, Management Organisation Unit of the Community Support Framework, 6 October 2006.
2) Koukoula Eni, Ms. Head of Unit B of the European Social Funds Actions Coordination and Monitoring Authority, 13 August 2008.

Group E. European Commission
1) Meadows Graham, Mr., former Director General, Directorate General Regional Policy, European Commission, 1 March 2005.
2) Divaris, Evangelos, Mr., Head of Unit E3, Directorate General Agriculture, European Commission, 11 May 2009.
3) Amodeo, F., Mr., employee, Directorate General Regional Policy, European Commission, 12 May 2009.
4) Sofos, Athanasios, Mr. Structural Funds-Cohesion Fund Bulgaria. Formerly responsible for similar roles for Greece. DG Regional Policy. Between 2000-2006 was seconded to the Greek Ministry of National Economy and Finance, 1 February 2011.
5) Shotton Robert, Mr. former Head of Unit for Greece between 2000-2005, DG Regional Policy, 1 February 2011.
Appendix II. World Bank indicators for Greece

GREECE, 1996-2009
Aggregate Indicator: Voice & Accountability

GREECE, 1996-2009
Aggregate Indicator: Government Effectiveness

GREECE, 1996-2009
Aggregate Indicator: Regulatory Quality