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**Development on the fast track:
Economic change and regional policy in Greece (1993-2010)**

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Abstract

In the early 1990's Greece enters a new age of globalization and economic change, by taking part in the process of European Integration. In this new environment, economic convergence and growth are the priorities of national economic policy, while development and production issues are put aside to be tackled by the regional policy of the Union. The main argument is that, by opening up and "modernizing" the economic structure, the national regional policy in Greece is devaluated and entirely dependent on political consensus on the targeting of European cohesion. The purpose of the paper is to describe the new policy model, as it is formed under the impact of internal and external, political and economic developments that lead to crisis, and to explain its geographic implications. We conclude that regional policy is turning to efficiency and distribution and leaves "unevenness" to be handled by the market forces, in the frame of a new paradigm that is expanded all over E.U..

Development on the fast track: Economic change and regional policy in Greece (1993-2010)

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Introduction

The aim of the paper is to critically assess the model of regional policy that appears in Greece in the context of economic change and European Integration, with an aspiration to draw some useful conclusions on what did go wrong with our country's development mode. The approach builds on the paradigm of political economy and critical geographies and thus, space is considered as open and relational/an on-going project. Among the principle hypothesis, we hold especially one: "Geography matters" when one seeks to understand economic inequalities, production structure or capitalistic development in time and place-specific societies (Massey, 1979/1984a/1984b/2005, Harvey, 2006).

To start with, some historical remarks are necessary. First of all, regional policy has been established as a coherent state policy in Greece, at the first years of "Metapolitefsi". Some fragmentary objectives and initiatives were enacted before, however it is only after the accession to the E.E.C. (1981) that regional policy became a distinctive instrument to address the regional problem¹. The aim during this time and until the 1st CSF (1986-1993) is to reduce regional inequalities and promote balanced growth, via small and dispersed projects, in rural and remote areas, and so, criteria of equality and justice prevail.

Historically, it is noted that the Greek regional policy model follows its own path-dependency (Kafkalas, 1990). Up to the 1980's policy follows in some delay international trends, such as the rise and fall of the social state or market liberalization and confronts minor problems of fordist crisis. Furthermore, it is highly centralized around the state and is coordinate to the unique features of modern-greek social formation. The coordination to the experience of the "developed countries" of Europe, comes only with European unification.

State and regions between convergence and cohesion

In general, it is at the signing of the Maastricht Treaty (1992) that *Greece of globalization* begins (Voulgaris, 2008). Orientation "towards Europe and the markets" entails on the one hand, fierce competition that leads the restructuring of production (Maravegias and Andreou, 2006, Gerorgakopoulos, 2008, Gekas, 2005) and on the other, a new model of economic policy, adopting liberal and monetarist principles, at least on terms of political discourse.

Especially the entry to the E.M.U., closely connected to Simitis' vision for Europeanization and modernization², signifies the transformation of the economic model, which proves though ineffective on various aspects (Kazakos, 2010, Stathakis,

¹ A historical overview on regional policy in Greece in Papadaskalopoulos and Christofakis (2005).

² More in Simitis (2005). For a valuation of the "modernization", see Featherstone (2006).

2007, Argitis, 2005/2011, Stasinopoulos, 2011). Due to macroeconomic restrictions, national economic policy focuses on deflation, fiscal consolidation and horizontal structural changes, as well as on enforcing the private sector of the economy. Industry, investment and regional policies are left to the European Structural Funds and strategy for “convergence” dominates economic issues.

One can distinguish shortcomings or inefficiencies in this development mode, to which the contradictions of integration and European cohesion should be taken into account. On the one hand, accession to the EMU was based more on political pragmatism and less on scientific rationality (Vergopoulos, 1999, Pasmazoglou, 2011, Liargovas, 2006), as possible asymmetric shocks would be especially threatening to the weaker economies. On the other hand, the risk was up to a point counterbalanced by European regional policy, a strong solidarity mechanism to support socioeconomic development (Gioti-Papadaki, 1995), relying however on *temporal and changing* political consensuses around the complex and ambiguous meaning of European cohesion (Andrikopoulou, 2003, Hadjimichalis, 1996, De Rynck and McAleavey, 2001). What especially matters is that, on the way to E.M.U., “cohesion” is downgraded at European politics, as it opposes basic principles of integration, like total efficiency and unhindered movement of factors (Andrikopoulou, 1995). At the same time, fiscal adjustment, as well as coordination of states’ economic policies, is most imperative to achieve stability and growth and ensure the smooth operation of the EU economy as a whole.

In Greece, these result in a fundamental contradiction between stabilization and development. First, national policy is engaged to macroeconomic targets and is indifferent to internal regional and production structure problems, at the heart of the economy. Thereafter, a European policy, which reproduces the dominant system of values, promotes agglomeration and works in favour of systemic efficiency³ takes over the issues of economic development.

Regulating distribution *within* or the new regional policy model

In this way, a political “deficit”, among European states and regions appears in our view, to have been determining also the inside regional affairs. By early 1990’s regional policy in Greece, is fully integrated and coordinated to the European, through the C.S.Fs and later the N.S.R.F., while it becomes all the more intensive in terms of budget and means (Likos, 2006, Papadaskalopoulos and Christofakis, 2005/2002). Nevertheless, socio-economic inequalities between Greek cities and regions grow (Petrakos and Psycharis, 2004, Oikonomou and Petrakos, 2004b, Lolos, 2009), while regional convergence to European GDP per capita appears weak⁴. At the same time, a clear reorientation of regional strategies and policies has been taking place, described as follows:

³ Cohesion policy’s turn to efficiency, although its mission is to promote redistribution and “harmonious development” or the prevalence of economic indicators that do not apply to all (GDP per capita) could not be separated from the insisting pattern of uneven development between the “center” and the “periphery”, the “north” and the “south” of Europe (e.g. EC, 2007/2010, Petrakos and Rodriguez-Pose, 2003).

⁴ There can be several different views on that matter, depending on the variables or methodology of research (e.g. Petrakos and Psycharis, 2004, EC, 2007/2010, Drettakis, 2003, Barry, 2003, Siriopoulos et al., 1997). In any case, disparities remain strong and convergence is slow for the regions, especially in comparison to national convergence.

First of all, there are no national development plans. The regulation framework is coordinated to the European and the country is bound up to decisions and guidelines of the structural funds, which are the outcome of political negotiations⁵. The standard procedure is that national and regional authorities submit proposed operational programs to the European Committee, which approves the final. In addition, sophisticated scientific techniques are becoming extinct in national planning and the usual focus is on planning stabilization, rather than development (Katochianou, 2011).

Policy turns to the national dimension of the development process. This is attested by four facts: a) Strategic priorities focus on competitiveness and an outward-looking stance for regions, and precisely on promoting transports and interregional networks b) Public investment concentrates on dynamic metropolitan areas, as well as along the country's main development axis (Petraikos and Psycharis, 2004). c) There is no strategic planning concerning regional/interregional development, while the regional dimension of the CSFs is gradually weakened (Psycharis, 2004). In this way, actions and guidelines for the regions are usually supplementary to horizontal/national policies, generating random distribution. It is obvious that priority on the national scale serves efficiency, which is in a way justified. As the country is eligible for large scale support for the total of its regions in most programming periods, the regional problem nearly coincides to a national one.

Priority is on infrastructure. Transport and telecommunication networks are particularly important to foster exports, competitiveness and growth, and reduce business transaction costs. In this context, most regional programmes refer to the region's "geographic advantage" and the need to use it in the new economic order (Plaskovitis, 2008). In total, technical infrastructure absorbs the great majority of funds⁶ due to several reasons (Paraskevopoulos, 2003). First, it is related to the interests of newly liberalized or upcoming markets, as well as to the preparation for the Olympic Games 2004. Secondly, it offers an opportunity to utilize significant additional support, provided by the European Cohesion Fund. Nonetheless, "over-investment" on infrastructure, due to the country's urgent needs, was fulfilled through mismanagement and poor quality projects, depriving resources from other uses. Also, it was to bring ambiguous results to the peripheral and disadvantageous areas as extension of the markets should be expected to benefit more the national or European centers of dynamic growth.

Industrial policy is also changing. The emphasis is on attracting large scale investments and on horizontal measures to improve macroeconomic and business environment and promote clusters and networks, r&d actions and vocational training, in a way that the regional dimension of industrial policy becomes irrelevant (Karamesini, 2002). Likewise, in "Anaptyxiakos Nomos" grants are combined to indirect support, since the general idea is to safeguard market competition, while spatial differentiation of incentives is gradually relaxed (Petraikos and Psycharis, 2004).

Progressive instruments on endogenous development appear. Local development is another European model applied in Greece during the 1990's (Christofakis, 2001, Papadaskalopoulos, 1995). The principle critique rests on its indiscriminate use, as was the case with "flexible specialization" (or the Third Italy model that substituted the growth poles) or on the model's least relevance to

⁵ e.g. see Liargovas and Andreou (2007), Papadaskalopoulos and Christofakis (2002).

⁶ more than 40% of the funds in programming periods 1994-1999, 2000-2006.

redistribution or the needs of less developed areas. Utilization of endogenous resources, especially smes, technological change and social capital, can be suitable in a different national and institutional context, as in regions with strong competitive advantage (Karamesini, 2002) and their peripheries (e.g. in North Europe). Instead, there are poor assets to exploit in lagging-behind rural or mountainous areas⁷ or in a local governing system, with no previous experience regarding decentralized planning or participatory procedures (Trantas, 2006).

The state of the art is business strategies applied in regions. Especially after 2000, European and Greek regions are striving for competitiveness, as well as cooperate in networks and clusters. The first strategy aims at building and showcasing stories of success, while the second at the territorial “diffusion” of know-how and best practices. Additionally, marketing strategies are used to attract visitors, investment and businesses, in tourist areas and cities (e.g. Lagos and Dionisopoulou, 2003), often framed by physical planning to improve the urban environment (Oikonomou and Petrakos, 2004a). In general, this is another contradiction applied at the regional level. Market competition is combined to cooperation for cohesion, in favor of divergence and convergence at the same time.

“Financialization” meets regional development. In the years of fast growth of the financial sector it is noted that many regional development projects in Greece get supported by banking and financial institutions. Especially during “modernization”, stock-exchange facilitated the concentration of funds for large-scale public constructions and privatizations (Pagoulatos, 2007) and financial tools were used in investment policy. For example, by the mid 2000’s public - private partnerships became an innovative practice for public constructions (Kazakos, 2010), while incentives to industry and high-technology include leasing and venture capital support. On top of these, the European Commission launches new “Special Support Instruments” in 2007, which combine grants with loans for business and regional development, available also to beneficiaries in Greece.

Spatial planning is still absent. Spatial planning in Greece is traditionally deficient, or even better put, pending. Another promising general spatial plan was enacted in 2008⁸ but is still not implemented. On top of that, economic crisis and the Law "Acceleration and Transparency of Implementation of Strategic Investments"⁹ known as “Fast Track”, made matters even worse. The new framework for the implementation of large public and private projects legitimizes flexibility, since spatial planning regulations can be bypassed, depending on the needs and priorities of the “strategic investment” (Klampatsea, 2011). It is notably interesting, that spatial planning in reception areas can be adjusted to the investor’s requirements or that there are special provisions to facilitate installations on the shoreline. Following these, there is the overall impression that spatial planning (obscure as it is), reduces space to a container and thus, investment just happens in time and place.

Decentralization is still deficient. Decentralization of State power was reached through successive laws for the restructuring of local government. These coincided to major efforts to rationalize public/local finances¹⁰ and also, to build a system of multilevel governance, with poor results whatsoever. Central state remained strong and local governments weak to deal with vital issues of development (Petrakos and

⁷ see the case of C.I.P. Leader.

⁸ Law Nr. 6876/4871.

⁹ Law Nr. 3894/2010

¹⁰ Law Nr. 2539/1997 known as “Kapodistrias” was voted during the preparation towards the euro, while the Law 3852/2010) known as “Kallikratis”, under the pressure of the fiscal crisis.

Psycharis, 2004, Paraskevopoulos, 2003). In addition, organizational rigidities of public administration and basic problems of the political system were reproduced at the local scale, while the absence of a culture for policy learning and poor investment in human capital made adjustment to European requirements even more difficult (Trantas, 2006). In this way, planning “from below” proved to be more of wishful thinking. Instead, the state managed to pass on functions and disperse responsibilities in times of fiscal consolidation.

Conclusions

To conclude, the new model of regional policy is oriented towards efficiency and maintains a distributional role, in close relation to the retreat of traditional state policies, an international trend, embedded in a specific historical - geographic context. Apparently, the intersection of the national and community regional policy is crucial on the remedy of the country’s regional problem. It is at that point in time that geography really matters, as inequalities *inside* Greece are introduced into a broader-systemic problem which is to be resolved, through compromise of political interests and socioeconomic aspirations. The same awkward symbiosis of ambiguous objectives -for growth and cohesion-, is reproduced at the subnational level, as regional policy sets horizontal priorities and fosters agglomeration and spatial concentration.

Our main assertion is that in the case of Greece, modernization and global integration entailed the deregulation and re-regulation of regional policy, to an extent that the absence of the state, is not creating any more problems to the regions, than those it solves. Inherent deficiencies in the political system, production structure or the organization of institutions could explain state’s withdrawal from the matters of development; nonetheless, the “national problem” is of vivid importance. The country’s need to converge and “catch up” had been superior to the needs of the regions, and so regional policy became irrelevant and considered as luxury.

On seeking the failure of Greece to approach the European Integration, we pose only one thought. Uneven development *is forever* (Hudson, 2007). Having admitted that, every region in time earns the right to its own development path, on the slow or on the fast track, which brings us back to the origins of the European Community, this unique world endeavor of investing in geography of heterogeneity (EC, 1969).

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**Local Government Institutional Reforms and Cooperation among Local Actors:
The Case of Eastern Macedonia and Thrace**

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Abstract

This paper tries to assert the influence that local government's institutional reforms exercise on intraregional cooperation among local actors in Greece. Intraregional cooperation is studied throughout local social capital, networks of local entrepreneurship, intergovernmental cooperation and local government's functions. Kapodistrias and Kallikrates reform generated new conditions for the enhancement of intraregional cooperation. Amalgamation of municipals into enlarged municipalities and conveyance of transfer and services from central state to local governments strengthen local powers. Case study of the research is Eastern Macedonia and Thrace region in Greece (NUTS II). Methodology uses elements of Game Theory in order to assert the connection of intraregional cooperation with efficient implementation of the reforms. Results demonstrate that local government's functions and intergovernmental cooperation have significant impact on the efficient cooperation of institutional reforms but social capital and networks of local entrepreneurship have not. As a sequence, policy implications should focus on the incentives that enhance trust, reciprocity and on promotion of local investment projects as well.

Key Words: Institutional Reforms, Intraregional Cooperation, Regional Development
JEL Classification: C70, R11.

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1. Introduction

Cooperation among dominant actors in a region became a key element in regional analysis, especially after the withdrawal of fordism in mass production systems (Harvey, 1989). In addition, the change of direction in central state's strategies left the field open for regional governments to undertake actions about local prosperity (Amin, 1999). Cooperation strategies of local actors were based on the socioeconomic characteristics in order to integrate them into economic circuit.

The above mentioned strategies brought into the foreground the importance of institutional cooperation, between local actors. Institutional reforms of local governments create significant opportunities, for the engagement of local actors into operations that improve local living standards (Hlepas & Getimis, 2011). New facets of cooperation are raised, as the conveyance of jurisdictions and services from central state to local and regional governments is proceeding.

The aim of this paper is to research the basic determinants that constitute the efficiency of Kallikrates and Kapodistriias reform in Greece. An extensive form game is employed in order to realize the basic options of the two reforms. Results of empirical analysis highlight that functions of local government and intergovernmental strategies shaped the efficiency of the reforms, but social capital and local entrepreneurship did not.

The rest of the paper is articulated as follows: Section 2 studies the related to intraregional cooperation literature, section 3 asserts the methodology of the research, section 4 presents the empirical results. Finally in section 5 conclusions and directions for future research integrated the paper.

2. Related Literature

Flexible specialization was the first step, in the enhancement of cooperation in local spatial framework (Scott, 1988; Henry, 1992). Local governments participated in the adding value process, by offering investment incentives to business associations in order to improve local living standards (Vazquez-Barquero, 1992). Firms successively trade their investments' location, with exclusive property rights in research projects that were undertaking by local institutions. Reciprocal information and knowledge about local milieu created cognitive formal and informal networks among entrepreneurs, labor force and bureaucrats. Successful paradigms of Emilia Romagna, Toscane, Massachusetts, Baden Wittenberg and Roanne, highlight the role of cooperation in local development (Sabel et al, 1989; Dimou, 1994; Dei Ottati, 1996).

The beneficial outcome that institutional cooperation brought into local economy was the strongest initiative for the creation of industrial districts and clusters. According to Scott (1998:153), a cluster is a loose network of cooperation among local economic actors, which is developed in a bounded geographical space". Respectively Markusen states, (1996:297), that "industrial districts are spatially delimited areas of trade-oriented activities which have distinctive economic specialization". Cooperation amid firms is developed by the use of common pool resources (i.e. infrastructure, natural resources, information, and research projects), repeated exchanges throughout complementarities and commitment to local networks

(Maskell, 2001). Local governments adopt an unrivalled role in this process, as they hold the monopoly-especially after the implementation of a reform- in service delivery that influences the effectiveness of cluster. Regions with firms that are clustered on the local comparative advantages are characterized by lower unemployment rates, higher per capita income and higher export rates (Isaksen, 1997; Spencer et al 2012; Brenner & Muhlig, 2013).

Effective cooperation between local administration and business' associations established the importance of social capital. Putman, (1993:166-167), argues that social capital is constituted by networks, social norms and trust. Trust and reciprocity spread into the local milieu by social organizations generating networks of commonly accepted norms and values in formal and in informal level as well (Malecki, 2012). If these features are used for community needs, they can contribute to the upgrading of social welfare throughout their engagement into local economic activity. Social capital is a crucial institutional factor as is reproduced either by the operation of social institutions, or the diffusion of the aforementioned characteristics into the province. It should also be noticed, that its impact on local development is depended on its interaction with local public policy (Paraskevopoulos, 1998).

Regional economic development took an institutional perspective, as inter alia, untradeable local relational assets were integrated in adding value process (Storper, 1997). Effective implementation of institutional reforms generates new conditions for cooperation among local actors but the key point is the cognitive adoption of the reform by formal and informal institutions of the region(Lalenis & Liogas, 2002; Chronianopoulos, 2012).

3. Methodology

Methodology employs elements of Game Theory in order to study the impact of local government institutional reform on regional development. Research focuses on the influence those cooperation strategies of local actors received from the two recent reforms in Greece, namely Kapodistrias and Kallikrates reform (Laws 2752/1997 & 3852/2010 respectively). Two actors participate in the game, the general government who votes the reform and region i , who is recipient of the reform. An extensive form game that is presented below formulates the strategies and the payoffs of two actors.

Game Theory has been used in recent studies as a methodological tool for understanding options of regional development (Steinacker, 2002; Fontini, 2003; Hazakis & Ioannidis, 2012). The contribution of this theory in regional studies stands in the field of understanding intraregional cooperation throughout specific proceedings. The employment of games in regional development functions mediating between theory and empirical reality.

Let μ , the variable that denotes the overall efficiency of the reform by local actors. This parameter is used in order to assess the impact that Kapodistrias and Kallikrates reforms had on local development. More specifically $\mu_{\text{kapodistrias}}$ refers to the influence that Kapodistrias reform exercised on local community and respectively $\mu_{\text{kallikrates}}$ refers to Kallikrates reform as well (Sarafopoulos et al, 2013). Further $r_i^{\text{Kapodistrias}}$ represents the share of population of region i , to the total population

during Kapodistrias era (1998-2010), and $r_i^{Kallikrates}$ holds the respective share during Kallikrates period (2011-).

The scenario of the game (see figure 1) is very simple. Central state has the potential to execute successfully one or two institutional reforms of local government. Its first option is to implement only the first reform (Kapodistrias) and its second choice to implement successively two reforms (Kapodistrias and Kallikrates).

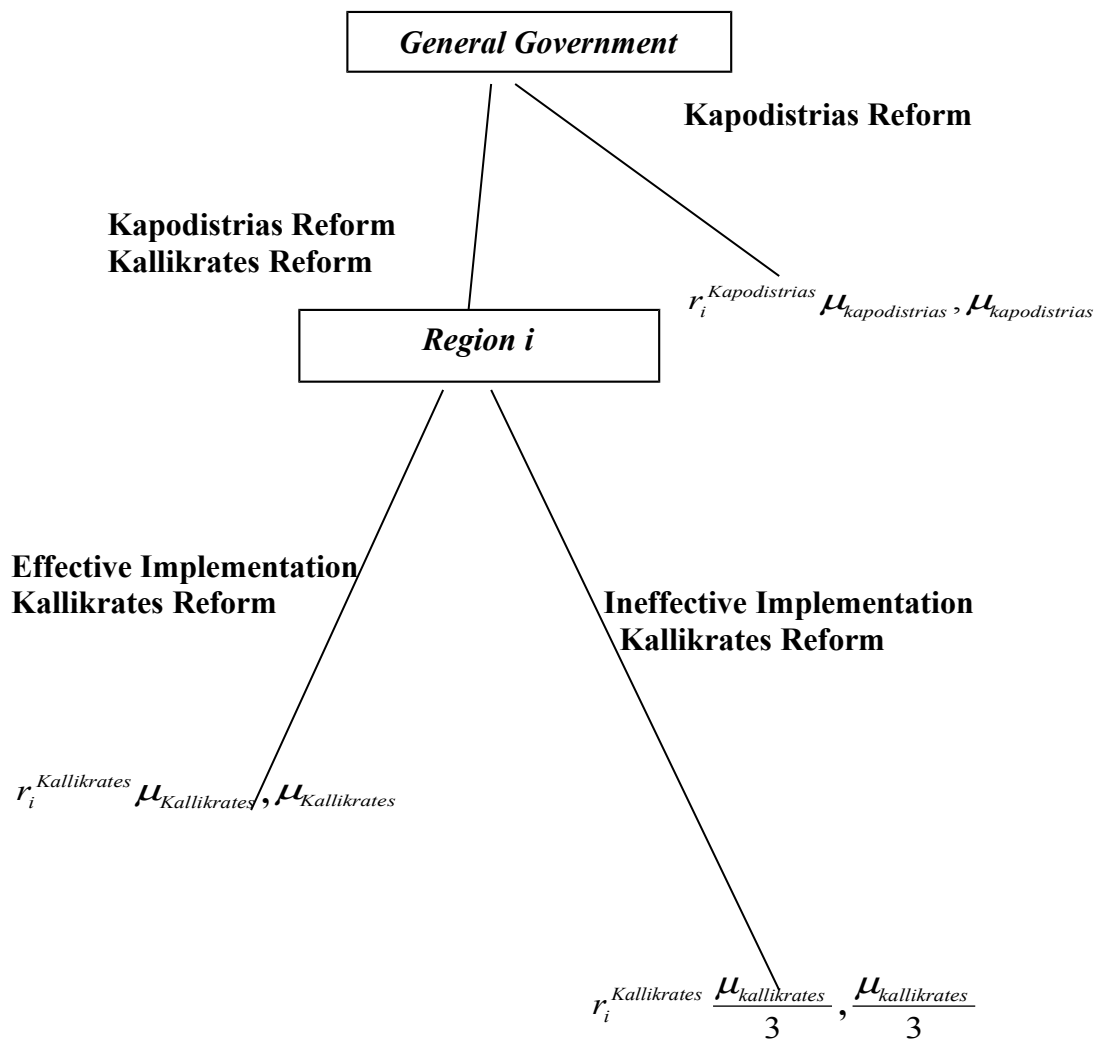


Figure 1: The Game

Payoff for central state in the first option is $r_i^{Kapodistrias} \mu_{kapodistrias}$ and for region i, is $\mu_{kapodistrias}$. In the second case payoff for central government is equivalent to $r_i^{Kallikrates} \mu_{Kallikrates}$, when two successive reforms are implemented efficiently and $r_i^{Kallikrates} \frac{\mu_{kallikrates}}{3}$ when their completion is inefficiently. Region i, receives

$\mu_{Kallikrates}$ for efficient accomplishment of the reform and $\frac{\mu_{kallikrates}}{3}$ for inefficient execution. Both actors have perfect information about the strategies and payoffs.

Central government has the first move in the game. The successive implementation of the game is dominant strategy for central state when applies the following:

$$r_i^{Kallikrates} \mu_{Kallikrates} > r_i^{Kapodistrias} \mu_{kapodistrias} \quad (1),$$

According to (1), when the efficiency of Kallikrates reform exceeds the efficiency of Kapodistrias reform, then central government's choice to implement successively two reforms denotes the equilibrium. But when, $r_i^{Kallikrates} \mu_{Kallikrates} < r_i^{Kapodistrias} \mu_{kapodistrias}$ (2), then equilibrium stands in the separate implementation of Kapodistrias reform.

The measurement of μ took place throughout a closed type questionnaire that was distributed in local actors in Eastern Macedonia and Thrace region, Greece (NUTS II). In total 327 queries were sent via post or e-mail, and 154 were returned, which supports respond rate equal to 47.09%. Questionnaire of primary research was drawn in order to study the effects of Kapodistrias and Kallikrates reform on intraregional cooperation among local actors in Easter Macedonia and Thrace. A five point Linkert scale was used to measure the influence of local government institutional reform on intraregional cooperation. Participants assessed the two waves of reforms from minor impact (1) to greatest impact (5). The fields of intraregional cooperation that were surveyed are general local government's functions, social capital, entrepreneurship and intergovernmental cooperation. The constitution of μ took place using variables like spatial planning, cooperation of local community, transfer of services from central government to decentralized units and financing of local government. Also it should be notified that the respective measurement of $r_i^{Kapodistrias}$ and $r_i^{Kallikrates}$ took place throughout the use of Census (2001 & 2011), data.

4. Results

In table 1 the descriptive statistics are depicted. Mean age of participants in the research is 43.89 years while the majority of them are men (56.31%) and 43.69 are women. Interestingly most actors have or had (in Kapodistrias era) institutional role (53.25% during Kapodistrias and 60.39% during Kallikrates). Further, participation in societal organizations is the case (57.14% for Kapodistrias, and 61.44% for Kallikrates, respectively). The 81.2% of them gained at least bachelor academic title while their average experience level is between 16 and 25 years.

The key point of descriptive statistics is that $r_i^{Kallikrates} \mu_{Kallikrates}$ exceeds very slightly $r_i^{Kapodistrias} \mu_{kapodistrias}$ (0.1457 to 0.1396). This outcome signals that equilibrium is the second movement of the game (Kapodistrias Reform-Effective Implementation of Kallikrates Reform) (See Table 2).

	Men	Women
<i>Gender</i>	56.31%	43.69%
<i>Education</i>	At least Bachelor Degree	No Bachelor Degree
	81.2%	18.8%
<i>Experience</i>	At least 6 Years	Less than 6 Years
	84.3%	15.7%
	Yes	No
<i>InstitutionalActor</i> _{Kapodistrias}	50.6%	49.4%
<i>InstitutionalActor</i> _{Kallikrates}	60.4%	39.6%
<i>Participation</i> _{Kapodistrias}	55.8%	44.2%
<i>Participation</i> _{Kallikrates}	57.5%	42.5%

Table 1: Descriptive Characteristics of the Sample

	Mean	Std. Deviation
<i>Age</i>	43.89	11.455
$\mu_{\text{Kapodistrias}}$	2,5919	,66595
$\mu_{\text{Kallikrates}}$	2,5921	,66130
<i>LocalGovernment</i> _{Kapodistrias}	2,4593	,69094
<i>LocalGovernment</i> _{Kallikrates}	2,4103	,74775
<i>Entrepreneurship</i> _{Kapodistrias}	2,1399	,75305
<i>Entrepreneurship</i> _{Kallikrates}	2,0225	,77637
<i>SocialCapital</i> _{Kapodistrias}	2,6538	,61488
<i>SocialCapital</i> _{Kallikrates}	2,4929	,62624
<i>Intergovernmental</i> _{Kapodistrias}	2,7493	,52033
<i>Intergovernmental</i> _{Kallikrates}	2,7810	,52971
$r_i^{\text{Kapodistrias}}$		0.5387
$r_i^{\text{Kallikrates}}$		0.5623
$r_i^{\text{Kapodistrias}} \mu_{\text{Kapodistrias}}$		0.1396
$r_i^{\text{Kallikrates}} \mu_{\text{Kallikrates}}$		0.1457

Table 2: Descriptive Statistics of the Responses

In the separate field, results demonstrate an equal distribution of the impact that two reforms had on intraregional cooperation. More specifically social capital improved more during Kapodistrias reform (2.65) than Kallikrates (2.49), and local entrepreneurship followed the same path (2.14 to 2.02). On the other hand,

intergovernmental cooperation during the reform is in favor of Kallikrates (2.78 to 2.75), but local government's functions joined more upgrading in Kapodistrias era (2.45 to 2.41).

In the table 3 results of primary regression are portrayed. In all cases the dependent variable is $\mu_{kallikrates}$ or $\mu_{kapodistrias}$, in order to estimate the terms of constitutions for this variable. As it can be seen in the basic regression general efficiency of the two reforms are influenced only by local government functions and intergovernmental cooperation. Social capital and local entrepreneurship had positive but not statistically significant impact. The impact of intergovernmental cooperation is greater for Kallikrates reform than Kapodistrias (0.426 to 0.171). In contrast the influence of local government's functions was in higher levels during Kapodistrias reform (0.53 to 0.324).

	Dependent Variable	
	$\mu_{kallikrates}$	$\mu_{kapodistrias}$
<i>Constat</i>	0.207 (0.884)	0.258 (1.075)
<i>SocialCapital</i>	0.069 (0.743)	0.177 (1.599)
<i>LocalEntrepreneurship</i>	0.069 (0.743)	0.049 (0.482)
<i>IntergovernmentalCooperation</i>	0.426* (4.306)	0.171*** (1.698)
<i>LocalGovernmentFunctions</i>	0.324* (3.857)	0.53* (5.109)
R^2	0.562	0.575
Note: *, **, ***: significance at the 0.01, 0.05 and 0.1 respectively.		

Table 3: Results of Primary Regression

The next regressions were developed in order to research more broadly the determinants of the efficient implementation of the two reforms. Four estimations, two for each reform were run. As is represented in table 3, the efficiency of Kallikrates reform was determined by the efficiency of Kapodistrias reform (0.451), but not by one of its separate variables. Moreover the formation of social capital and local entrepreneurship during Kallikrates reform did not impact significantly. This was the case for the adoption of an institutional role or the participation in societal organizations. In contrast intergovernmental cooperation (0.378), and local government's functions (0.332), influenced significantly the execution of the reform. Results followed the same path and in the second regression for Kallikrates, as demographic variables had not any significantly weight (Table 4).

	$\mu_{\text{kallikrates}}$	$\mu_{\text{kapodistrias}}$	$\mu_{\text{kallikrates}}$	$\mu_{\text{kapodistrias}}$
<i>Constat</i>	0.023 (0.08)	0.28 (0.718)	0.431 (1.198)	0.125 (0.488)
<i>LocalGovernment</i> _{Kapodistrias}	0.023 (0.08)	0.589* (5.273)	-0.114 (-0.845)	0.475* (4.229)
<i>LocalGovernment</i> _{Kallikrates}	0.332* (3.332)		0.398 (3.844*)	-0.22** (-2.202)
<i>Entrepreneurship</i> _{Kapodistrias}	-0.072 (-0.716)	0.019 (0.161)	0.015 (0.126)	0.038 (0.367)
<i>Entrepreneurship</i> _{Kallikrates}	0.108 (0.219)		0.07 (0.072)	0.018 (0.206)
<i>SocialCapital</i> _{Kapodistrias}	-0.051 (-0.407)	0.182 (1.383)	-0.175 (-1.287)	0.234*** (1.876)
<i>SocialCapital</i> _{Kallikrates}	0.068 (0.633)		0.131 (1.199)	-0.136 (-1.24)
<i>General</i> _{Kapodistrias}	-0.157 (-1.509)	0.07 (0.058)	-0.156 (-1.241)	0.213* (1.987)
<i>General</i> _{Kallikrates}	0.378* (3.363)		0.324* (2.622)	-0.141 (-1.185)
<i>InstitutionalActor</i> _{Kapodistrias}	0.045 (0.598)	-0.213** (-2.117)		
<i>InstitutionalActor</i> _{Kallikrates}	0.063 (0.623)			
<i>Participation</i> _{Kapodistrias}	1.117 (-1.25)	-0.138 (-1.383)		
<i>Participation</i> _{Kallikrates}	0.07 (0.878)			
$\mu_{\text{kapodistrias}}$	0.451* (5.225)		0.471* (4.448)	
$\mu_{\text{kallikrates}}$				0.487* (5.222)
<i>Gender</i>		0.022 (0.232)	-,066 (-0.773)	
<i>Age</i>		0.01 (1.622)	,000 (-0.137)	
<i>Education</i>		-0.09 (-0.187)	-,007 (-0.173)	
<i>Experience</i>		0.043 (0.743)	,012 (0.239)	
R^2	0.692	0.628	0.705	0.673

Note: *, **, ***: significance at the 0.01, 0.05 and 0.1 respectively.

Table 4: Results of Additional Regression

As regards to Kapodistrias reform, demographic characteristics of local actors are not schemed their point of view also. Paradoxically apart the positive sign of local government's functions (0.589), the adoption of an institutional role for local actors decreased the efficiency of the reform (-0.213). In the last regression were investigated inverse impacts of Kapodistrias' reform efficiency. Local government's

functions of both reforms were significant but negative for Kallikrates (0.475 and -0.22 respectively), as well as intergovernmental cooperation and social capital for Kapodistrias (0.213 & 0.234). Last but not least efficiency of Kallikrates had important power in order to estimate the efficiency terms for Kapodistrias reform (0.487).

5. Conclusions

This paper tried to assert the basic options of intraregional cooperation during the implementation of institutional reforms in Greece. Research focused on Eastern Macedonia and Thrace (NUTS II). The determinants that constituted the efficiency of Kapodistrias and Kallikrates reform were examined throughout the employment of an extensive form game. Equilibrium stands marginally in the Kallikrates reform branch and therefore it can be argued that even the difficult circumstance this institutional reform has significant chances to improve the efficiency of local governments.

According to the results the efficiency of the two reforms was determined primarily by intergovernmental cooperation and local government's functions. Social capital and local entrepreneurship's networks did not exercise significant influence. The adoption of an institutional role had significant impact only for Kapodistrias reform, but the sign was negative. On the other hand the effective implementation of Kapodistrias reform shaped the ground for the execution of Kallikrates reform.

Nevertheless as was extracted by the results, the execution of the reform should be based more on intraregional cooperation. More specifically improvements in social capital and local entrepreneurship can be the two basic pillars of intraregional cooperation. This highlights the necessity of future research that should focus on the very special conditions that influence the composition of cognitive social capital and effective entrepreneurship.

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European Cohesion Policy and its Implementation in Greece

Abstract

The proposed paper seeks to identify critical changes and reforms that occurred in Greek public administration, both on central and regional level, during the period 1989-2013 due to the need for establishing better mechanisms for planning and implementing the European cohesion policy. Since the launching of the specific policy field in the late 1980's, Greek public authorities responsible for facilitating strategy, planning and implementation of the cohesion policy, went through a series of administrative changes and reforms. The direction of the transformations was either towards the building of brand-new institutions, or by transforming already existing administrative structures. In that respect, there is some kind of evidence that the Europeanisation process in the field of the cohesion policy has propelled inevitable changes on certain aspects of Greek public institutions, in view of the demand for better correspondence and cooperation with the European administrative authorities.

The aim of the paper is to present core aspects of the institutional transformation related to Greek public bodies since the adoption of the first Community Support Framework (CSF) up to the fourth one (NSRF- National Strategic Reference Framework). The research focuses both on central public administration, such as public bodies associated to the Ministry of Development (former Ministry of National Economy) and the regional administrative level as well. It is argued that pressures connected to the Europeanization process coupled with the administrative requirements for dealing effectively with the European cohesion policy requirements, resulted in the transformation of Greek public institutions related to planning and implementation of the specific policy field, in order to increase the institutional capacity of the Greek public administration so as to manage effectively with the CSF' and NSRF's demands.

Key words: *Institutions, public administration, cohesion policy, agencies, transformation.*

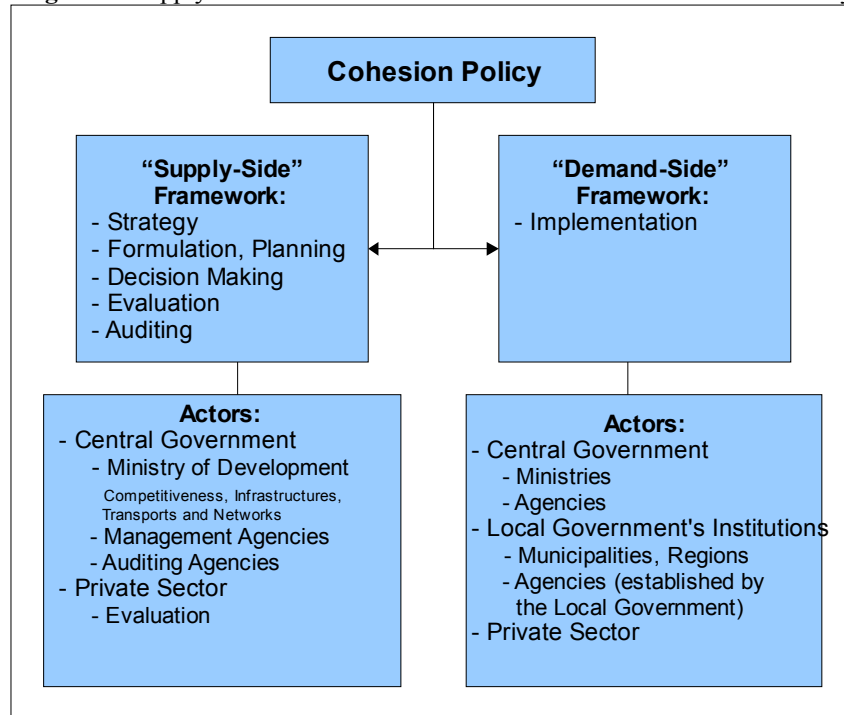
Introduction

The inception of the European cohesion policy, in the late 1980s (Leonardi, 2005:1-2) was primarily aimed at reducing social and economic inequalities and increasing regional convergence. Apart from the content and the purpose of the cohesion policy, the introduction of the policy affected a variety of institutional bodies through which it had to be implemented. In that respect, parts of the Greek Administration that were involved in procedures of planning, management, evaluation, monitoring and implementation of the cohesion policy were required to adjust their structures in such an appropriate way, so as to come into terms with the prerequisites of the new policy.

Throughout the period 1989-2013, which comprises of all corresponding Common Support Frameworks (CSFs) and National Strategic Reference Framework (NSRF) for the Member States of the European Union (EU), a varying intensity of administrative transformations can be identified in certain structures and bodies of Greek public administration. Many of those transformations are related with certain aspects of design tools, like management, evaluation and auditing methods of the cohesion policy aiming at delivering with efficiency and effectiveness the cohesion policy. The present paper attempts to describe critical administrative transformations that took place in the Greek public administration during the period 1989-2013, around the axis of supply and demand of the policy cohesion, centrally and in the local administration level as well.

In particular, the supply-side of the policy presented changes to administrative actors who were responsible for planning issues, formulation, management, evaluation and auditing of the cohesion policy, i.e. the central administration (former Ministry of Economy). From the demand-side of the cohesion policy, it has also been made an attempt for the presentation of administrative changes in the field of public bodies primarily involved with the implementation of the cohesion policy. Emphasis is being given on the local government's administrative level. Figure 1 summarizes the previous point of view. On the whole, the paper is being inspired by the theoretical perspective of the historical institutionalism (Hall and Taylor, 1996).

Figure 1: Supply and Demand Framework and Actors of the Cohesion Policy.



Source: Own elaboration.

1. Transformations of public administration bodies

In general, during each programmatic/reference period of the policy implementation, efforts have been made not only for the reduction of social and economic disparities, but also for the regional convergence as well. Throughout all reference periods (1989-2013), the authority for the formulation and the management of the cohesion policy is exerted by central administrative bodies (former Ministry of Economy). Other public administration structures, especially located on the regional and on the local level as well, may participate, on the one hand, in early stages of the formulation of the cohesion policy by merely making their interests known, but there have no other kind of participation in the final decision-making process, in which the former Ministry of Economy has the authority to formulate the policy according to its own preferences. In that respect, while Local Government Institutions may initially appear to have substantial participation in the formulation of policy content through a “bottom-up” approach, in fact, their participation and influence are rather limited as a typical participating actor.

1.1. The period 1989-1993

Taking into account the supply-side point of view of the cohesion policy, during the first period of implementation (1989-1993, 1st CSF) the main authorities for the management of all operational programs were the general secretariats of the Ministries and the thirteen general secretariats of the Regions, which had been established in 1986 (Law 1622) as state-decentralized units, with their leadership appointed, at that time, by the government (Ministry of Interior). Due to aspects of administrative incapacity of those institutions, in terms of not having all the essential means, like necessary resources, or expertise (Andreou, 2006:247) their quality of performance was quite weak. Moreover, the main

control was held by the Ministry of Economy (Ioakimidis 1996: 353–354). In addition, other shortcomings such as the quality of human resources, led Regions to “remain dependent to the Ministries” (Andreou, 2006:248-249). Besides, much of the program management had been entrusted to private bodies (management consultants, evaluators) (Andreou and Lykos, 2011:276).

Furthermore, local government administration was divided into a two-level distinction. The first level was comprised of “Municipalities” and “Communities” with their number reaching 5.775 entities in total. In particular, there were 457 Municipalities and 5.318 Communities. The second level of local administration, named “Prefectures”, consisted of a total of 57 public bodies that represented larger geographic areas than Municipalities but smaller than the regions. The difference between the two levels of local administration was that the leadership of the second level (Prefectures) was appointed for a fixed period of time (4 years) by the government (Ministry of Interior) and was not elected. Consequently, both Prefectures and the Regions as well, were not considered as public bodies through which local preferences and interests could be projected at the central political-administrative level (Ministry of Economy) but rather as local organizations that would convey central preferences to the local level. Given the fact of the limited power of Municipalities to address and support effectively their preferences, the “top-down” dimension seems to provide more satisfactory explanation for the formation of the cohesion policy, comparing to the “bottom-up” approach.

1.2. The period 1994-1999

The institutional bodies held responsible for the cohesion policy, initially remain the same over the period 1994-1999, (2nd CSF). In other words, secretariats of Ministries primarily and Regions secondary, continued to have the crucial role in the total management of cohesion policy. At that period of time, a major change was the establishment of the Management and Organization Unit (MOU) in 1996 with the legal form of a semi-public company, as the agency having the authority of the management of the CSF and the responsibility of supporting the conventional bureaucratic structures to effectively implementing the policy through sixteen sectoral and thirteen regional operational programs. MOU was staffed by highly-educated and skilled manpower and was held responsible for designing systems, tools and processes, knowledge transfer and logistics, according to its founding law (Law 2372.1996) supporting in that respect the implementation of the cohesion policy.

From the demand-side of the cohesion policy, namely the implementation of the policy by the final beneficiaries, in other words, by the Local Government Institutions, a significant reform took place in 1994 when Prefectures become self-governed. Thus, the Local Government in Greece acquired a second lever for transferring preferences to higher levels of government, through the context of democratic planning. Moreover, in 1997 took place the first major administrative reform (Law 2539.1997) by which the 5.775 local public bodies (Municipalities and Communities) were merged forming new administrative structures while, at the same time, their number reduced in 1034 (914 Municipalities and 120 Communities). The logic of the merging served the argument of enhancing the administrative efficiency of the local administration, by creating smaller and more capable governmental structures in terms of sufficient own resources and manpower, that can meet the implementation demands of the cohesion policy. Apart from that evolution, in 1997

the Regions, already operating according to Law 2503/1997, received new responsibilities from the central government, while various regional structures and agencies of Ministries at the Prefectural level, passed under the control of the Regions.

1.3. The period 2000-2006

The administrative bodies of the cohesion policy substantially changed during the period 2000-2006 (implementation of the 3rd CSF). In particular, in the supply side of the policy, there were created specialized management and control agencies and units, functionally decentralized from the classic bureaucratic structures of the core public administration. Management authorities were set up specifically for each sectoral operational program of the total twelve. Besides, there was created a central coordinating authority, other supervisory authorities (Supervisory Authority, Paying Authority) and thirteen regional managing agencies for the provisions and the requirements of the Structural Funds. The new structures were supervised by the Ministry of Economy and Finance (as it was renamed), which still maintained its central coordinating role. Thus, the hierarchical nature of the “top-down” approach did not appear to be disturbed, but continued in this programming period as well. Also, all management agencies, operational and regional, had to assist the work of other policy implementation public bodies, providing instructions for proper execution of the programs, with particular reference to local government entities. Finally, another aspect of the above reform, was the introduction of multilevel control systems and procedures for monitoring and evaluating programs and projects (Law 2860/2000).

Furthermore, it should be noted that along with the functionally decentralized structures of administration, established in the supply-side of the cohesion policy (special management agencies, auditing authorities, payment and coordination agencies) Local Government Authorities began to create similar type of structures (agencies) as well, on the part of the policy implementation process. Thus, many Municipalities established functionally decentralized agencies with the legal form of municipal enterprises (Local Public Enterprises), with certain organizational flexibilities, mainly in terms of recruiting qualified human resource unhindered by the Independent Agency of Recruiting Civil Servants (ASEP), in that respect, overtaking rigid procedures and strict rules of appointment. With the appropriately qualified staff many Local Government Institutions held the view that they could run better the task of implementing the cohesion policy, having placed themselves among the final beneficiaries of the policy.

1.4. The period 2007-2013

During the period 2007-2013, the main organizational structures (related to the management and the coordination of the policy) have remained unchanged at the core administrative level, without significant changes. The central coordinating role has been held by the Ministry of Economy and Finance (former Ministry of Economy). The National Coordination Authority has taken over the role of managing authority for all regional operational programs. Regional Management Agencies act as intermediate authorities running the programs. A few changes have occurred in certain aspects of the content of the cohesion policy, like the fact that the regional programs reduced in number

from thirteen to five and included wider geographic areas. Apart from that, sectoral programs amounted to eight, instead of twelve during the previous programming period.

On the other hand, in terms of policy implementation, Law 3852 introduced the second critical reform of local governance structures in 2010. In particular, a further merging of municipalities took place at that time, reducing their number from 1.034 to 325 municipalities, while communities repealed as a distinct institutional level of local administration. Meanwhile, self-governed Prefectures absorbed by the thirteen Regions, which have become the new level of Local Self-Governed Administration, with elected leadership. There have been also created seven decentralized administrations but without having direct involvement in the implementation of the cohesion policy. The reorganization of the Local Government Administration aimed at the improvement of the management capacity of the local government structures, which could occur through extensive economies of scale as a result of institutional mergers. At the same time, the number of functionally decentralized structures (agencies) placed at the local level also reduced, mainly by limiting the number of enterprises that a municipal could run (Law 3852/2010).

Consequently, the administrative reforming attempt of 2010 targeted to reduce not only the number of local entities but also the number of operating decentralized agencies that municipalities had created with respect to absorbing effectively all EU funds provided by the mechanisms of the cohesion policy and, at the same time, minimizing administrative costs. It has been analyzed¹ that “Local authorities with a population of less than 10,000 inhabitants, which represents the 82% of all local authorities, assigned an average of 9 projects in 3rd CSF, when the municipalities with a population of over 100,000 residents were having a corresponding average of 94”. In the same report it was stated² that “the budget of the projects included things even more difficult for small local authorities, as the average budget for ‘large’ municipalities are 15.5 times greater than that of OTA under 10,000 residents”.

2. Administrative continuities and discontinuities

European pressures for establishing adequate administrative authorities within the regulatory framework of the Structural Funds for the management of the cohesion policy resources, especially at the central level administration and the effective delivery of the policy, seemed to be a crucial factor explaining the gradual establishment of operationally decentralized agencies with flexible managing rules and highly-trained managers for the overall support of the cohesion policy. Such a characteristic may stand for a discontinuity aspect of the overall policy, in terms of low learning and dissemination of knowledge within the structures of bureaucratic public administration at both central and local administration. Thus, it has supported the view of creating (and maintaining) isolation of specific agencies from the regional and local administrations (Andreou, 2009:67-69).

On the other hand, the creation and maintenance of decentralized and specialized governance agencies from 1996 onwards, constitutes an element of institutional continuity regarding these new structures. Furthermore, the central coordinating role of the Ministry

¹ Ministry of Interior, Decentralization and Electronic Government (2010). Regulatory Impact Analysis of the draft: "New Architecture of Government and Decentralized Administration "Kallikratis Program", p. 66.

² Ibid, p. 66.

of Development Competitiveness, Infrastructures, Transports and Networks (former Economy) has been maintained in all programming periods and could be evaluated as an indication of a strong persistence of centralization keeping the hierarchy of policy formulation to a “top-down” point of view and, ultimately, upholding dependence of local administrative bodies on centralized governance structures.

Critical points of institutional changes can be highlighted with respect to the two main administrative reforms (1997, 2010) associated with the side of the implementation of cohesion policy and, in particular, with local government. The overall result of these reforms has been the significant reduction in the number of local government entities. The second administrative reform, may possibly has been fueled by the country's economic crisis as well. Furthermore, the creation of regional elected authorities in 2010, initially seemed to reinforce the system of multilevel governance in the country, however, the central role of the Ministry of Development remained and this element does not seem to provide strong evidence in favour of the multilevel governance aspect. On the whole, the relationship between cohesion policy and administrative reforms was tried to be depicted in table 1.

Table 1: Cohesion Policy and Administrative Reforms.

	1989-1993 1st CSF	1994-1999 2nd CSF	2000-2006 3rd CSF	2007-2013 NSRF
Supply-Side (Providing the policy)	- Ministry of Economy - General Secretaries (other Ministries, Regions)	- Ministry of Economy - General Secretaries (other Ministries, Regions) - Special Agencies (MOU 1996, Management Authorities)	- Ministry of Economy - Special Agencies (MOU, Management Authorities)	- Ministry of Development (former Economy) - Special Agencies (MOU, Management Authorities)
Demand-Side (Implementing the policy)	-	1 st Administrative Reform (1998), - 5775 LGOs →1034 (Municipalities+Communities)	-	2 st Administrative Reform (2011), - 1034 LGOs →325 (Municipalities) - Regions → LGOs
<i>“Agencification”</i> : Establishment of Agencies both on Central and Local Administrative Level (supply and demand side)				

Source: Own elaboration.

3. Concluding remarks

It has been argued that “the capabilities of a country are predetermined by institutional and organisational factors that can influence the performance of the actors involved in the policy process” (Chardas, 2005:3). In that respect, the creation of decentralized and flexible administrative services (agencies) located outside the classic system of bureaucratic hierarchy of the Weberian structures seem to have been adopted as a solution for addressing issues of administrative capacity both at the central government level, and at the local administration level as well. The EU's influence to improve the administration of the programs was a catalyst for the creation of new management structures. However, the creation of similar administrative structures is supporting the view of limiting the degree of participation and the role of traditional public administration bodies. Apparently, there seems to be a kind of administrative discontinuity and limited diffusion of knowledge around specific governance structures rather than through the whole of administration.

Overall, in the period 1989-2013, the adjustment of administrative structures, due to external pressures, do not appear to be immediate and widespread. Critical institutional change can be characterized both the establishment of operationally decentralized agencies (Management and Organization Unit, Specialized Management Agencies, 1996, 2000) particularly in the central administration level and the reduction in the number of governance structures at the local level as well (Municipalities, Self-Governed Regions, 1997, 2010). Despite the institutional changes, centralization and hierarchical nature of the management of the cohesion policy (planning, management and control of the policy by the Ministry of Development, Competitiveness, Infrastructures, Transports and Networks) seem to depict the core characteristics of the cohesion policy process throughout the period 1989-2013.

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