

**FACTORS AFFECTING THE EFFECTIVENESS OF STRUCTURAL FUNDS:  
THE GREEK EXPERIENCE**

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**Abstract**

This article discusses the factors that affect the effectiveness of Structural Funds in Greece in the period 1994-1999 (second CSF). In the first part of the paper it comes to the general conclusion about the factors that affected the result of the second CSF while in the second part it presents a case study of three important projects that were carried out in Greece. All the remarks and conclusions in this paper are derived from interviews with key players who were involved from the designing stage until the implementation of the project.

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## **Introduction**

Structural Funds (SFs) were always important for improving the performance of the Greek economy in terms of GDP, employment, productivity, investment and the trade balance. Greece in the middle of an unprecedented fiscal and economic crisis, EU structural funding is more critical than ever. SFs are an indispensable tool for boosting economic growth without causing extra fiscal burden.

SFs are channeled to Greece mainly through the Community Support Framework (CSF) of the EU and to a lesser extent through the Cohesion Fund.

The effectiveness of European structural and cohesion funds has long been a contradictory topic, both for European institutions and researches.

The aim of the paper is to investigate the factors that affected the effectiveness of Structural Funds during the second programming period (1994-1999). The study, in order to reach conclusions, is divided in two parts. The first part is based on interviews of people who were involved in the designing of the project until the implementation while the second part focuses on the cases of three vital public works that were included in the second programming period in Greece. The main tools of the research are: a) the study of the whole process of these projects (integration, award, implementation, completion) and b) interviews from civil servants involved in these projects.

## **Part 1: Factors affecting the effectiveness of structural funds in Greece**

During the first and the second CSF, the implementation of the structural funds has been described as “causing turbulence to the Greek administrative system, an external shock and a treat to the pre-existing institutional arrangements” (Vamvakas 2012). Most of the efforts aimed at the increase of the absorption rates, ignoring the issue of implementation.

The entry of Greece in the European Union increased the resources of the country. In that time EU was not aware of the fact that these extra resources were very difficult to exploit fully, as it demands time for the capacity of the country to rise, in order to create business equivalent to the budget that it has available.

When Delor decided to double the resources of the structural funds he did not place the question of absorption as his motivation was absolutely political. This would have had better results if it was accompanied by a programme of measures. In Greece the concept of “technical help” played this role. Technical help is the money that is given from the EU so that the member will raise its capacity. During the first CSF the European Commission was not so strict with issues involving the procedure of administration. After the first CSF, the EU attributes to itself a different role, that is more inspecting without stating this openly.

During the second CSF, the situation changed with the use of the “Project Fiche”. In the Project Fiches there was an accurate description of the work that will be done, a list of questions that had to be answered about the cost and a timetable, so that we would know when the work would be completed.

Another innovation apart from the Project Fiches was the role of the “Programme Managers”. Programme Managers were a private office that was useful

for the region and the Ministers in order to illustrate the exact advisability of the proposal.

In that period, MEK (Join Steering Committee) was established. It concerned a small committee part of the monitoring committee of CSF, that its aim was the reformation of the legislation frame of the public works.

Another innovation that happened in that period was the establishment of the “ESPEL”, which was a director consultant that tested the quality of the work that was carried out. Until that point the examination of the quality was not austere and in some cases there was not any examination at all.

The CSF was very important for Greece, not only that because it was a source of money that we would not have to return, but also because the changes that took place improved the whole process from the study of the project to the completion of the project.

## **Part 2: Case Studies**

During the second CSF (1994-1999) a series of important projects have been carried out in several sectors in Greece. This paper has studied three projects that were important (according to the interviews) for Greece which are: a) The extension of the building of the General Hospital of Sparta and of the Regional General Hospital of Tripolis b) the construction of Lavrion Technological and Cultural Park and c) The integrated information system of the National Emergency Aid Centre.

### *The extension of the building of the General Hospital of Sparta and of the Regional Hospital of Tripolis*

The General Hospital in Sparta was co-funded with the percentage of 75% and with national participation of 25% .

Although the general procedure from the designing until the completion of the project rolled smoothly and the whole project was judged as being successful there were still some problems that had to be overcome. For example during the construction the engineer that was responsible for the project found that there was no need for the basement to be underground since it was in the surface and to be underground it would mean spending more money from the budget.

Moreover, another problem that had to be faced was that the studies of the projects were done years ago before the entry of the programme in the CSF and as a result some changes were necessary to be done (e.x. the electro mechanic installation).

Although, the extension of the building of the General Hospital of Sparta was an important and successful project according to the local people, as it offered quicker service, reduced patient waiting lists and provide a good environment for the personnel, there were a few cases according to which, the funding did not achieve the aims of the initial planning. The initial aim of the project was the building of a new pathology department medicine which would constitute 70% of the hospital-something that did not happen. All the improvements that took place did not bring any positive results, since the funding did not meet the needs of the initial plan.

The regional general hospital of Tripolis was co-funded with a participation of 75% and with national participation of 25%.

Before the funding of the EU its facilities were very poor. The project faced some problems as the study was old and should have been modernized. For example the law for the protection of the earthquakes had changed and as a result the columns and the electro mechanic equipment were not compliant with the current building regulations, so they had to undergo changes.

Today the situation of the hospital has changed significantly. A new building has been built and all the emergency cases are treated there. New surgery rooms were established and great deal of restoration to place in the old building. The appearance of the hospital is decent and is complies with the European standards.

The extension and the refurbishment of the hospital was an important project for the South of Peloponnese, as people from the other prefectures, apart from Arcadia, could visit it and were not obliged to travel to Athens to seek medical care there. The capability of the hospital has changed and many surgeries are carried out successfully.

Although the project of the improvement of both of the above hospitals is undisputable there is the view that more improvements could have been done. The constant change of “key” people in important positions such as the Ministries, Administrative Councils of Hospitals, Regions and Municipalities, influence the final version of the project. The “political games” that are played amongst competing bodies from the planning of the project until its implementation, influence its result, ignoring the question whether the needs of the project were met. Despite this, there were cases in both the above hospitals where the doctors there could not handle the new equipment which itself became a motive for the personnel to educate themselves and to employ new staff. These problems still exist today and are exacerbated by the Greek economic crisis. Today, in Tripoli’s hospital there are three surgery rooms from which only one of them is operational due to the lack of personnel.

#### *The Lavrion Technological and Cultural Park (LTCP)*

The Lavrion Technological and Cultural Park (LTCP), is a place of innovating support, original technological research based on international specifications and a place of development of new industrial applications which create a favorable environment for a dynamic development of the enterprises aim to be housed there.

From the first months of the Park’s operations a large percentage of the above goals have been achieved but not totally. According to the interviews that have taken place, the preservation of the cultural heritage was 80% successful of what was expected, since there is no change of further development of the place. The restoration of the plants of the Park has only been 1/3 successful. Unfortunately, the Park did not manage to gain anymore funding after the second CSF and as a result the restoration of the buildings and the plants today is very scarce having negative results for the Park. As far as the environmental restoration of the area is concerned it was 90% successful.

The project had a positive effect on the local society of Lavrio during its first years of operation since it created work for a large part of the local workforce and at the same time a large number of enterprises were established there benefiting from a number of privileged initiatives. Moreover a number of cultural activities took place. Unfortunately, the initial plans for the Park were too ambitious and did not touch reality. Also the difficult economic circumstances in Greece during the last years acted detrimental to the final form that the Park took.

As the interviews revealed, the applications submitted by new companies to hire buildings in the Park are very few compared to the ones that were submitted in the years before 2008. It is notable the fact that in the last five years only about ten companies in total have expressed their interest in hiring a place there but none of them have actually gone through with it. On the contrary some companies have left from the Park for different reasons. In 2007 there were twenty-four companies housed in the Park having 90% of the space intended for this purpose. Today, there is a different picture altogether. Only seven companies are currently operating the Park, which they only cover the 50% of the available space. The 50% reduction of the payroll costs, the zero revenue and the fact that the Park has limited its costs to zero constitute a brake in the right operation and the future development of the Park.

#### *The integrated information system of the National Emergency Aid Centre in Athens*

The National Emergency Aid Centre received funds from the European Commission during the second CSF in order to secure a quicker and better operation of about 11.000 calls that the National Emergency Aid Centre receives daily. The company “Intrasoft SA” had undertaken the whole project.

The “Intrasoft SA” decided that in order to implement the software for the “Administration of Accidents” to subcontract the project to a company called “01 Πληροφορική”, which also made a contract with the Research Centre of the University of Piraeus. After all these assignments a professor of the University of Piraeus was appointed as scientific Advisor of the sub-contacting in the Research Centre of the University of Piraeus while at the same time he was the chairman of the Monitoring Committee of the project. This means that the same person that advised the subcontractor for the construction and the implementation of the project, was asked at the end to evaluate the project on behalf of the government and to approve or to reject it.

The subcontractor company submitted the plan of the project and the Monitoring and Acceptance Committee approved it, despite the factional problems that existed and the comments-complaints of the National Emergency Aid Centre.

Unfortunately, the project never reached the stage of completion according to the interviews. Despite the problems and its serious disfunction during the pilot period, the whole project was delivered by the National Emergency Aid Centre on 11<sup>th</sup> of December 2001 and the subcontractors were paid. The National Emergency Aid Centre paid a great deal of money for a project that existed only in paper. As a result nothing changed since the employees of the National Emergency Aid Centre still had to do all their work in manuscript.

The results from the interviews and the testimonies of the employees of the National Emergency Aid Centre reveal that the project was not motivated by real necessities but by the desire of some people to take advantage of the money that was received by Europe at that period.

An unknown source, was the whistleblower that made known to OLAF the failure of the project. According to OLAF the project has not worked at all and should not have been delivered in the first place. As it was expected after all this scandal, the European Commission, via OLAF, demands the return of the funds given for the implementation of the project according to the interviews has yet to be returned.

## **Conclusions**

The paper presented a number of different factors that affected the effectiveness of structural funds in Greece, based on interviews of people who were involved in the designing until the implementation of the project.

Since 1990, the main aim of the responsible authorities who were in charge of taking decisions about the projects that were going to be co-funded by the structural funds was the complete absorption of the funded money, while with the new proceedings and structures that the European Commission forced, qualitative factors were increasingly being used to measure success. The European Commission involvement ensured that the money was not wasted and that was used only in projects that were necessary. As a further result clientelist relations are rare and funds are not scattered to small-scale projects.

The European Commission has a significant influence over EU member states including Greece as it forces them to act out of fear and do things that probably would not do if they were not under “the eye” of the European Commission.

The study of the above three projects has shown that the money from the second CSF that was used for the Hospitals of Tripolis and Sparta, was not wasted while the money that funded the construction of the Technological and Cultural Park of Lavrion although was not wasted, according to the interviews, did not totally reach the expected results of the initial plan of the project. The integrated information system of the National Emergency Aid Centre in Athens was a fiasco since the fund was wasted as a result the European Commission demands the return of the fund and the prosecution of the people who were involved in the project.

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