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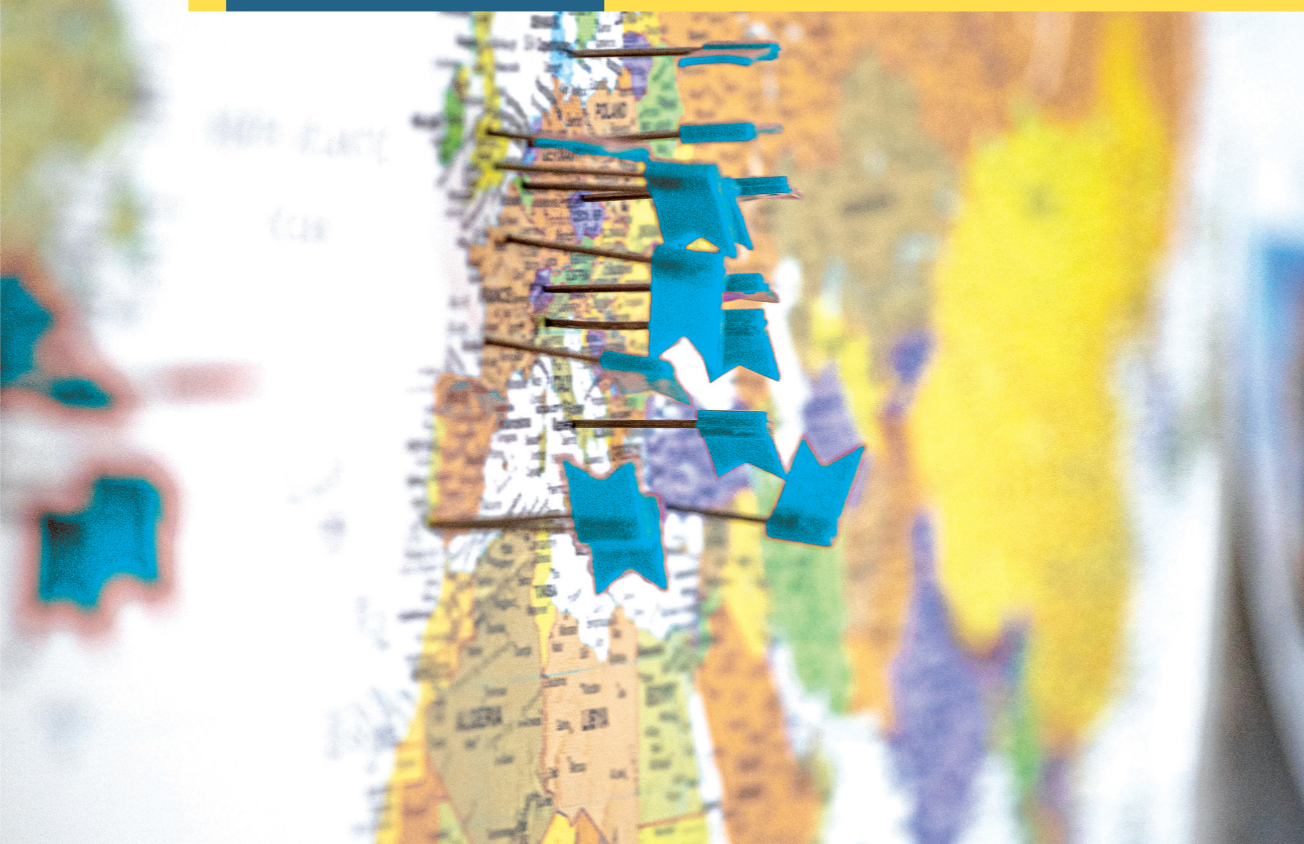
jmcegovernance
JEAN MONNET CENTRE OF EXCELLENCE
UNIVERSITY OF THE PELOPONNESE

NIKOS APOSTOLOPOULOS
AND MANOS PAPAZOGLOU
(editors)

THE IMPACT OF EU STRUCTURAL AND INVESTMENT FUNDS ON GREECE (1981-2019)

SUCCESSES, FAILURES, LESSONS LEARNED AND COMPARISONS WITH OTHER EU MEMBERS



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ATHENS 2020

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INTRODUCTORY REMARKS. EU COHESION POLICY, REGIONAL DISPARITIES AND GREECE

Manos Papazoglou

Modern states by and large find it impossible to secure equal levels of growth across their territory. Yet, regional disparities are a matter of major concern as they seem to undermine equal opportunities of citizens. In extreme cases, a widening gap of prosperity across regions may even lead to deep interest cleavages and strong regional identities that give rise to tensions, divisions and may become threatening to social cohesion.

In the US for instance California residents enjoy an almost double per capita income compared to their fellow-citizens in Mississippi. Similarly, in Germany North-Rhine Westphalia scores a record-high level of growth compared to one of the poorest Länder, as is the case with Saarland or Bremen.

There are certainly various historical, economic, societal, environmental and other reasons that account for regional disparities. California for instance hosts Silicon Valley, the most significant centre of technological innovation of our times and some of the biggest high-tech companies of the world, and also a very dynamic farming sector. In Germany the postwar division of the country dramatically increased the gap between the western and eastern parts that only gradually has been ameliorated since the re-unification in the 1990s. In Italy more than 150 years since the *Risorgimento* and the foundation of the modern Italian state, a considerable economic and societal divide persists between the north and south. This is reflected even in the party system with the representation of Lega Nord, a party with overt regional interest references and voters.

In some cases disparities are deeply ingrained, as made evident in the cases of Italy and Spain. These two countries, EU member states for several decades and main beneficiaries of cohesion policy funds, still experience significant disparities. As a matter of fact, these cannot be reversed unless a mix of tailor-made funding and reform measures is found and the process is facilitated by favorable economic and societal conditions (or the technological factor). Hence, gaps in terms of growth, productivity, and employment will account for disparities between as well as within member states. Increasing spatial specialization of industries and services in capital regions means unequal resources compared with lagging regions striving for building-up similar growth assets.

Identifying the right policy mix that enables the process of convergence is quite challenging and solutions vary between countries (OECD 2019). Policy performance is subject to many factors, one of the most important being that of effective organizational capacity (Bachtler *et.al.* 2017). One striking feature is that EU enlargement was certainly conducive to convergence between countries, but intra-national disparities have deteriorated. Indeed, capital cities and regions attracted major public and private investments. This in turn, means that the cost of catching up for lagging regions becomes even higher.

Productivity remains a crucial factor especially in the industry sector where differences occur in different parts of Europe. The same holds in the agricultural sector too. Insufficient modernization means poor performance of the agricultural sector.

Disparities would be even worse without cohesion policies implemented by the EU and national authorities. But other exogenous factors still have an impact, such as economic cycles, global developments and the effects of technological or environmental conditions.

The aforementioned remarks cast evidence about the kind of challenges and limits of the cohesion policy in the EU. This concern is voiced as early as in 1957 and grafted on the foundational Treaty of Rome, the Article 2 of which states that "The Community shall have as its task (..) to promote throughout the Community a harmonious development of economic activities."

One of the core arguments of this volume is that the EU may play a very positive role in reversing regional disparities already existing within a state. This holds true especially for member states that were comparatively poor with regard to average EU standards of prosperity at the time of their adhesion. Certainly, building a Single Market would risk ever strengthening the most industrialized parts of Europe at the expense of regions that lacked the essential resources. In a nutshell, the EU Regional Policy aims at financing key infrastructure that may enable even the poorer regions to take active part in the Single Market (European Commission 2018b).

That concern with economic and social cohesion is clearly stated in 1986 in Art. 130 of the Single European Act. The Treaty of Lisbon reasserts that scope in Art.174 which defines policy aims for territorial cohesion as follows:

> "In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions."

Cohesion policy in the EU rests on three distinctive foundations. First, the link addressed in the Treaties between the level of economic development and regions' and member states' ability to fully participate in European integration. Second, mobilizing local growth potential in regions seen as units for economic development in their own right. Third, emphasis on structural adjustment through long-term changes, which aim at overcoming development barriers.

The establishment of the European Regional Development Fund (ERDF) in 1975 marked a first attempt at providing assistance for regional projects in order to tackle problems caused by "the dominance of agriculture, changes in industry, structural unemployment" (Article 1 of Council Regulation, 724/75, EC Journal L 073, 21.3.1975).

The European Parliament (1988) criticized these first steps of cohesion policy by stressing *inter alia* the following points: too little funds, funds' overly varied and unclear objectives, covering an overly large EC area, too many projects, assistance for developing infrastructure at the expense of production investments, member states treating of EC assistance as refunds for contributing to the common budget, and overly optimistic, vague and general regional development programs.

Developments in the 1980s, most notably enlargement to Greece, Spain and Portugal, the Single European Act (SEA) and the adoption of single market program, have been a catalyst for change. Indeed, Articles 130a-130c SEA stressed the task of "reducing disparities between the various regions and the backwardness of the least-favored regions", while the aim of the ERDF is facilitate the "structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions".

Under the new institutional design priority was given to the following principles:

concentration: defining a limited number of targets and focusing on the least-developed regions.

partnership: partnership when developing and implementing programs, assuming the participation of entities from the national, local and EU levels, including private partners and NGOs, guaranteeing the involvement and transparency of activities.

programming: multiannual programming periods (3-5 years) based on analysis, strategic planning and assessment.

additionality: additionality, which ensures that member states do not replace national spending with EU funds.

Along these lines, the Commission (1987) presented its proposals (Box 1). This is widely known the "Delors I Package", which set out five key aims for the period 1989-1993.

Box 1

Main aims of Delors I Package (1989-1993), total budget ECU 69 bn

Aim 1: Promoting development and structural progress in less developed regions.
Aim 2: Transforming regions strongly affected by industrial decline.
Aim 3: Combating long-term unemployment.
Aim 4: Facilitating the professional integration of young people.
Aim 5: Accelerating the reform of agricultural structures and promoting the development of rural areas.

Some of the tangible results of the Delors I include the creation of 600,000 jobs in Greece, Ireland, Portugal and Spain and an increase the average GDP per capita in these countries from 68.3% to 74.5% of the Community average. Main beneficiaries include Spain (14.2bn), Italy (11.4bn), Portugal (9.2bn), Greece (8.2bn). In 1994, following pressure by local and regional authorities, the Committee of the Regions was established .. the Committee of the Regions' establishment reflected the growing role of the regions and cohesion policy

The subsequent Delors II Package (1994-1999) set out six key aims (Box 2). Delors II delivered significant policy results, as for instance Increase real GDP by an additional 4.7% in Portugal and 3.9% in the former East German regions (2.2% in Greece). Main beneficiaries include Spain (42.4 bn), Germany (21.8 bn), Italy (21.7 bn), Portugal (18.2 bn), Greece (17.7 bn) and France (14.9 bn).

Box 2

Main aims of Delors II (1994-1999), total budget ECU 168 bn

Aim 1: Promoting development and structural adaptation of regions lagging behind.
Aim 2: Transforming regions or parts of regions strongly affected by industrial decline.
Aim 3: Combating long-term unemployment and making it easier for young people and people at risk of being excluded from the labour market to enter the labour market, promoting equal opportunity on the labour market for women and men.
Aim 4: Helping workers adapt to changes in industry and production systems.
Aim 5: Promoting the development of rural areas by (a) accelerating the reform of agricultural structures as part of the report of the Common Agricultural Policy and promoting modernisation and structural changes in the fisheries sector, (b) facilitating development and structural changes in rural areas.
Aim 6: development and structural changes in very poorly populated regions (from 1 January 1995).

By 2006 almost one third of the EU budget (or 0,4 of EU GDP) was allocated to structural funds (Box 3). Enlargement to Eastern Europe member states created new needs for structural funds, so that an additional EUR 25.9 bn was allocated to ten new member states in 2004-2006. These new member states found new funding opportunities and policy tools to pursue tasks in this field (Bachtler and McMaster 2008). Main beneficiaries include Spain (57.1 bn), Germany (30.1 bn), Italy (30.1 bn), Greece (25.0 bn), Portugal (23.4 bn), Britain (16.0 bn) and France (15.6 bn).

Box 3

Cohesion policy's three key aims 2000-2006, total budget EUR 240.8 bn

Aim 1: promoting development and structural adaptation of less developed regions.
Aim 2: supporting economic and social transformation in regions affected by structural problems.
Aim 3: supporting the adaptation and modernisation of policies and systems in education, training and employment.

During 2007-2013 the EU with 28 members, the largest ever formation, planned a resourceful (total budget 403 bn euros) and ambitious set of cohesion policy tasks (Box 4). It amounted to 35.7% of the EU budget or 0,38% of the EU's GDP. Its main beneficiaries were clearly newer members from Eastern Europe, and in particular: Poland 75.9 bn, Spain 38.1 bn, Italy 33.1 bn, The Czech Republic 26.9 bn, Hungary 26.9 bn, Portugal 24.3 bn and Greece 22.9 bn.

The EU is not as ambitious as to claim that its Cohesion Policy aims at tackling regional disparities, especially those that are persistent for many decades. Besides, the overall budget of the corresponding funding programs amounts to a very small proportion of the overall EU GDP. Between 1989 and 2013, the European Commission spent 787.96 billion euros on investment projects as part of cohesion policy. In the current financial framework (2014-2020), the figure is over 350 billion euros.

This is not to say that it does not deliver significant policy results. The EU pays particular attention in communicating successfully completed key projects in a wide range of fields that produce essential resources for sustainable developments across Europe.

According to a study (Polish Economic Institute 2019), cohesion policy has a tangible growth effect, since "its actions in 2007-2013 will contribute one billion euros to EU GDP by 2023", while it is estimated that each euro generates an additional 2.74 euros in GDP.

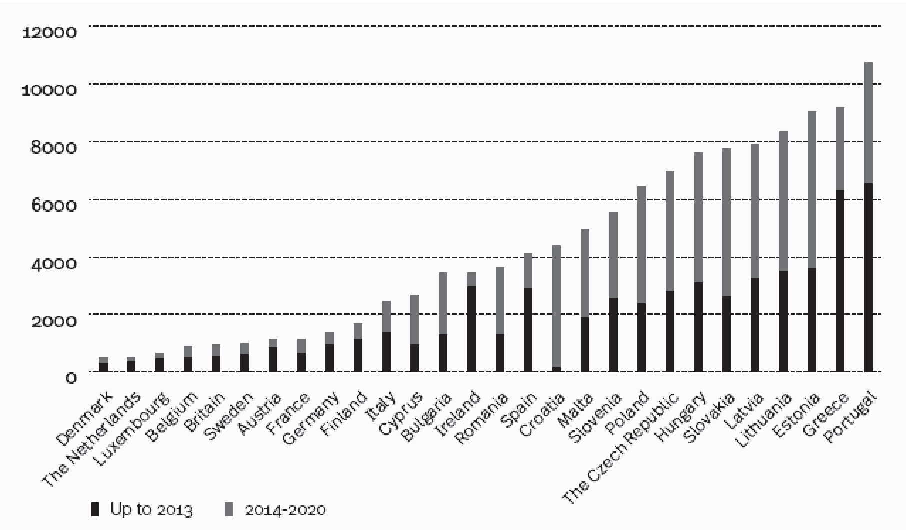
In countries with limited resources, European funding may amount up to 80% of public investment. This makes a considerable contribution as a share of national budgets. But it is not restricted to poorer countries, as many projects are funded in wealthier countries too. The latter (the "net-contributors") are also indirectly benefited from a more prosperous Single Market as a whole, while new opportunities for investment, trade and other activities arise in regions undergoing a significant improvement of infrastructure and business environment.

The allocation method for the funds is still largely based on GDP per capita. A sophisticated filter three categories of countries is employed: less-developed, in transition, more-developed. New criteria (youth unemployment, low education level, climate change, and the reception and integration of migrants) correspond to more specific concerns.

Chart 1 provides evidence about the rise of European funding since 2013, its distribution across member states and the significant per capita share for some member states in particular.

Clearly, when it comes to the allocation of structural funds Portugal and Greece stand out as the countries that mostly benefited. In both countries there is a remarkable rise in incomes, productivity and infrastructure that may be attributed to a considerable extent to European funds. Newer member states of the 2004 enlargement have also taken advantage of funding in order to achieve convergence with EU average rates of growth.

Chart 1 *Funds from cohesion policy per capita received by countries up to 2013 and in 2014-2020 (EUR), source: Polish Economic Institute 2019, p. 50*



The EU regularly publishes detailed data about policy results. Hence, the EUR 460 billion budget for 2014-20 result in help for over 800 000 companies, better healthcare for 44 million Europeans, flood and fire prevention for 27 million people, nearly 17 million people connected to sewage plants, broadband access for 14 million additional households, over 420.000 new jobs, training for 3.7 million Europeans, new, modern schools and childcare for 6.7 million children.

A very complex institutional apparatus has been devised for the conduct of Cohesion Policy corresponding to the fact that almost 75% of EU spending is managed jointly by both the Commission and national governments. The list of the most important cohesion policy institutions includes the following:

European Regional Development Fund (ERDF)

European Social Fund (ESF)

Cohesion Fund (CF)

European Agricultural Fund for Rural Development (EAFRD)

European Maritime and Fisheries Fund (EMFF)

Issues of effectiveness and efficiency are matters of concern, as for instance the "absorption rate" between different countries or reviewing the "spill-over" effects of new projects. Part and parcel of the governance system is scrutiny on the proper implementation of funding rules in order to limit any irregularities or fraud. In that regard, monitoring responsibilities are allocated to the Commission, the European Court of Auditors and the European Anti-Fraud Office (OLAF).

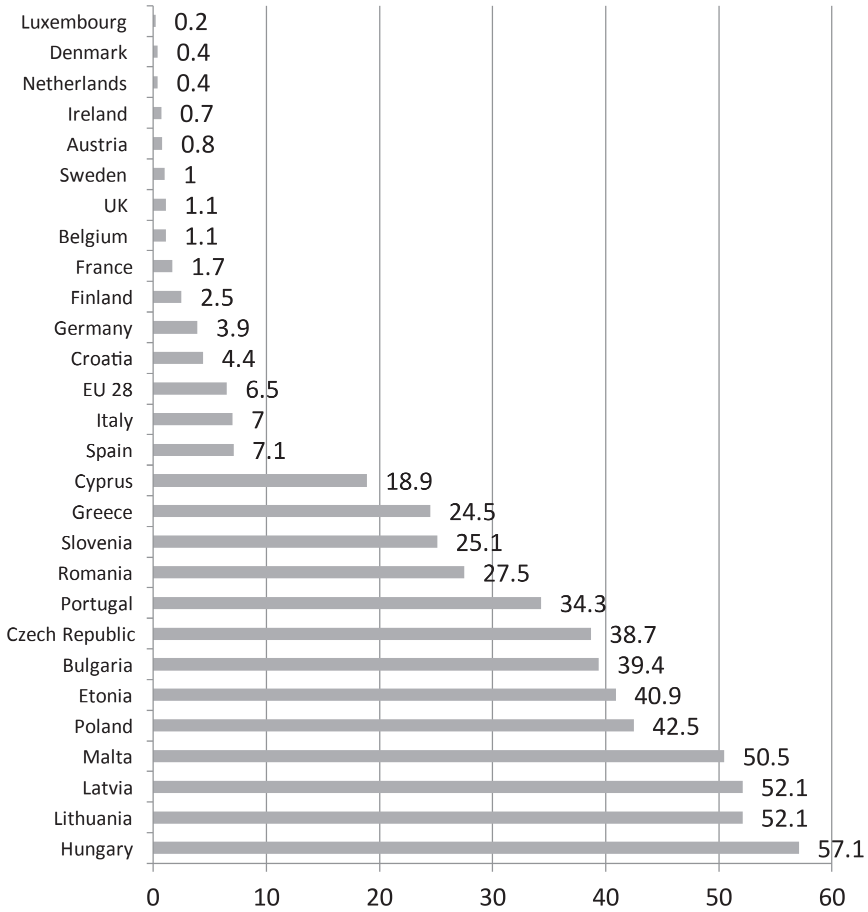
The EU attaches great emphasis on public administration performance (European Commission 2018c). This is also reflected in the European Semester and particular recommendations and comparative assessments addressed to national public administration systems (European Commission 2017).

OECD (2020) has developed specialized recommendations for cohesion policy governance arrangements. It claims that effective capacity building for better European Structural and Investment Funds outcomes entails granting Managing Authorities a more active role in guiding necessary institutional change.

Another aspect of this issue is that sub-national authorities should also acquire broader competencies in order to become more actively involved in cohesion policy decision-making (European Committee of the Regions 2018).

One way to consider the impact of structural funds is to see them as a share of government investment per country. According to this criterion, older member states as a rule has below the EU average share, while there is

Chart 2 *Cohesion Policy Funding as % of Government Investment 2007-2013 EU28 =6,5% average (European Commission 2016a)*



a trend of high impact of structural funds in 2000s enlargement countries. One can imagine the dire consequences had cohesion funding not been provided in cases in which it amounts even higher than 50%. There are the exceptions of Portugal and Greece, which, as mentioned above, remain two of the main beneficiaries since they joined the EC in the 1980s.

Taking into account variations in recipients of structural funds, one may consider the intense debate of governments within the intergovernmental EU bodies, the Council and the European Council, regarding the overall multiannual budget. To illustrate the point, there was a very long debate that started over in 2018 about the Multiannual Financial Framework 2021-2027. Countries were divided between those which demanded the budget not to exceed the 1% of EU GDP. Other countries claimed that 1,3% was essential, while the Commission proposed 1,11%. If that was not enough, the dire recession repercussions of the covid-19 pandemic made negotiations even more complicated.

It is worth noting that the EU investments in 2021-2027 are guided by five main objectives according to the Commission's proposal "Regional Development and Cohesion Policy beyond 2020: The New Framework at a glance". (European Commission 2018a)

Box 4

Main Cohesion Policy Aims 2021-2027

- Smarter Europe, through innovation, digitisation, economic transformation and support to small and medium-sized businesses
- a Greener, carbon free Europe, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change
- a more Connected Europe, with strategic transport and digital networks
- a more Social Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare
- a Europe closer to citizens, by supporting locally-led development strategies and sustainable urban development across the EU.

Greece has been the tenth member state that entered the then EEC in 1981. It was the first member state that successfully made the transition from a dictatorship (1967-1974) to a well-entrenched liberal democratic regime. It was then followed by the Iberian states Spain and Portugal (1985) that made similar polity transitions in the late 1970s. Moreover, Greece was unique in that it was the first state from Southern Europe that was lagging behind in industrialization, and levels of growth in general, compared to West European standards, even compared to Italy. The choice of the Greek government to negotiate funding essential to reduce these disparities was endorsed in 1985 by the EEC in the form of the Integrated Mediterranean Programs (IMPs).

This was a seven year budgetary commitment in support of Greece and selected regions of Italy and South France. The overall aim was (Art.1 Regulation 2088/85 (Official Journal of the European Communities, L 197, 27.7.1985) "to improve the socio-economic structures of the regions, in particular that of Greece, in order to facilitate the adjustment of these regions to the new conditions created by the Community's enlargement in the best possible conditions." Greece received the largest share of the total expenditure (combined national spending, Community budget and European Investment Bank loans) of ECU 6.6 billion (Greece spent ECU 3.213.391 thousands compared to France's share of 1.232.750 and Italy's share of 2.568.035).

Greece in the 1980s was still an economy with persistent structural weaknesses that have been identified by the Commission (European Commission 1989): an economy dominated by an undeveloped agricultural sector which has to operate in difficult natural conditions, a generally high level of unemployment, a slack industrial sector in which vulnerable SMEs (small and medium-sized enterprises) predominate, and insufficient organization or development of the services sector, public and private.

EU transfers ranged from 2.4-3.3% of the country's annual GDP. Some of the unresolved problems of the Greek case consist in the weak institutional framework and capabilities, low planning capacity, complex bureaucracy, inexperienced staff and corruption. Centralization in the Greek state was contrary to the IMPs aims of granting local authorities a role in planning and implementation. A far from conducive government structure and public sector is the reality, in spite of the fact that successive reforms have undoubtedly implemented substantial changes in public administration in the course of the last decades (Spanou and Sotiropoulos 2011).

A very short reference to what the successive programming periods of EU structural funding attained in Greece is as follows. (Liargovas et.al. 2015). The first Community Structural Funds (CSF 1989-1993) gave a strong emphasis on infrastructure. Yet, little attention was paid to restricting production and some of the diachronic constraints of the Greek economy. The government had inadequate institutional capacity and structures essential for planning and implementation.

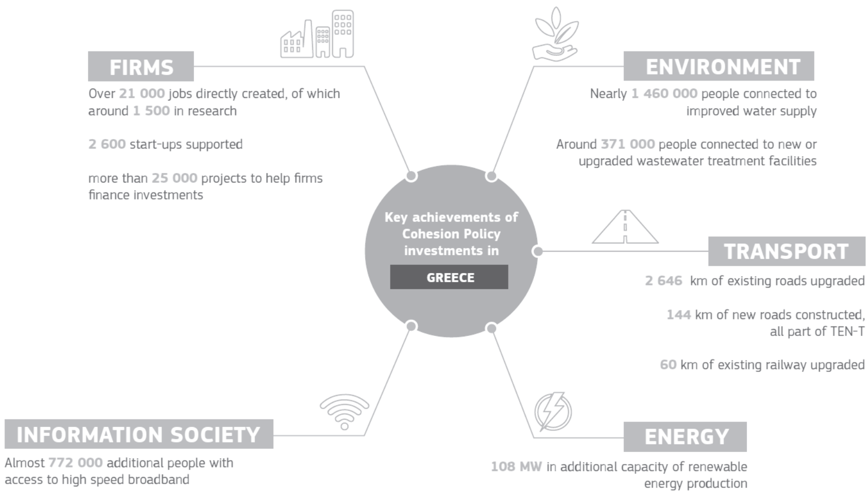
The second CSF (1994-1999) coincided with the country's primary task of meeting the Maastricht criteria in order to join the Economic and Monetary Union. During this period major infrastructure projects were completed, such as highways, railway networks, ports, the subway in

Athens, telecommunications infrastructure and other building projects in health and education.

The third CSF (2000-2006) in addition to major infrastructure projects included projects with regard to competitiveness, human resources, employment, quality of life and information society.

Cohesion policy's impact in 2007-2013 has been remarkable. This is reflected in the Commission's own assessment of policy results (table Ευρωπαϊκή Επιτροπή, Ex Post Evaluation of the ERDF and CF: Key outcomes of Cohesion Policy in 2007-2013).

Chart 3 *Main achievements of Cohesion Policy in Greece 2007-2013 (European Commission 2016b)*



The most striking feature is perhaps the fact that EU contribution rose up to 99,8 % as a result of Greece's critical fiscal situation amidst the economic crisis. However, this came at the cost of reducing the overall budget of cohesion spending to 15,9 bn euros from the initial amount of 20,2 bn euros. During the deep recession, cohesion funds had a positive impact of 2% in 2015, while by 2023 the impact is estimated to 3%.

There are also problems identified in the evaluation of the 2007-2013 cohesion program. According to the most concerning remark, regional disparities endure at the expense of the less developed regions (see also Christofakis and Papadaskalopoulos 2011). While the latter are better-off compared to a decade ago, the growth gap to convergence regions keeps widening, as a result of the multiannual economic crisis. Productivity trends remain low compared to EU average standards (Axt 2015).

Other governance and administrative problems are equally important (Andreou 2010, 2015). Procedures are still complex, coordination between central and local authorities is far from optimal with the trend being that of accumulating decision-making powers in government. Management of cohesion policies suffered from constraints in planning, selection of actions, compliance with rules and financial management. Shortcomings in the communication between authorities and recipients, for instance by more extensive use of information technologies, would have averted many of the delays in processing funding claims and making all the necessary corrections in a timely manner. Similar problems are diagnosed in an independent study on structural funding 2014-2020 (Dianeosis 2016).

A more detailed presentation of cohesion funding 1989-2013 reveals some interesting findings (European Commission 2020).

The total amount of European money that Greece received from different sources (CF, ERDF, ESF) exceeds 94 bn euros. This is certainly an indispensable source of funding that could not have been generated by the national economy and state finances. Regional policy funding was available even when public finances critically deteriorated from 2009 onwards. More importantly, since the IMPs many institutional changes were completed in response to cohesion funding, such as establishing regional authorities and empowering local authorities through successive reforms in decision-making structures and the allocation of competences.

Five regions are still in the status of "less developed", which means that the GDP/head is below the EU-27 average. Six regions are "in transition", which means they enjoy between 75 and 90% of the EU-27 average GDP. Only two regions are considered "more developed" (around 90%). The fact that Attiki, the

Table 1 *Total Cohesion Funds for Greece per programming period (European Commission 2020)*

1989-1993	1994-1999	2000-2006	2007-2013
4.312.560.286	15.052.031.054	25.007.939.331	23.632.195.465
Total 1989-2013	**68.004.726.136**		
2014-2020	**26.246.886.690**		
Total 1989-2020	**94.251.612.826**		

Table 2 *Total Cohesion Funds per Greek Region 1989-2013 (European Commission 2020)*

Attiki	12.824.382.651
Kentriki Makedonia	9.184.539.816
Anatoliki Makedonia	7.306.523.339
Thessalia	6.353.828.397
Dytiki Ellada	6.014.415.163
Peloponnisos	5.205.378.654
Sterea Ellada	4.787.839.536
Kriti	4.198.046.050
Ipeiros	3.385.245.053
Dytiki Makedonia	2.874.268.794
Notio Aigaio	2.085.287.105
Voreio Aigaio	1.978.371.196
Ionia Nisia	1.806.600.382

Table 3 *Total Cohesion Funds per region and programming period (European Commission 2020)*

	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020
Attiki	827.541.849	2.397.058.191	6.048.946.475	3.550.836.136	588.070.840
Kentriki Makedonia	1.072.935.041	3.241.117.309	3.221.113.522	1.649.373.944	1.310.371.978
Peloponnisos	500.987.469	967.261.978	1.508.642.759	2.228.486.448	305.796.942
Anatoliki Makedonia	420.925.540	1.250.052.952	1.731.650.247	3.903.894.600	397.319.928
Thessalia	360.886.484	1.393.052.905	1.762.837.357	2.837.051.651	433.205.852
Kriti	280.352.530	888.396.679	1.503.089.336	1.526.207.505	335.378.880
Voreio Aigaio	241.578.504	310.034.404	810.885.306	615.872.982	124.769.284
Sterea Ellada	219.454.537	984.526.733	2.134.720.447	1.449.137.819	270.249.391
Ipeiros	130.696.581	846.094.070	1.507.755.497	900.698.905	227.511.613
Dytiki Make-donia	86.483.745	907.044.184	1.171.052.210	709.688.655	154.467.216
Dytiki Ellada	84.345.615	1.216.033.944	1.841.050.072	2.872.985.532	412.587.512
Notio Aigaio	63.739.200	419.360.060	999.646.511	602.541.334	149.145.989
Ionia Nisia	22.633.191	231.997.645	766.549.592	785.419.954	129.211.215
	4.312.560.286	**15.052.031.054**	**25.007.939.331**	**23.632.195.465**	**4.838.086.640**

Table 4 *Greek Regions GDP/head compared to EU-27 average*

More developed regions (GDP/head >= 90% of EU-27 average)	Attiki Notio Aigaio
Transition regions (GDP/head between >= 75 % and < 90% of EU-27 average)	Dytiki Makedonia Ionia Nisia Kriti Peloponnisos Sterea Ellada Voreio Aigaio
Less developed regions (GDP/head < 75 % of EU-27 average)	Anatoliki Makedonia & Thrace Dytiki Ellada Ipeiros Kentriki Makedonia Thessalia

The present volume is the outcome of scholarly debate conducted by the Jean Monnet Center of Excellence "Governance" (JMCE Gov) an activity fully funded by the EU (Erasmus+ Programme – "Jean Monnet Modules, Chairs and Centres of Excellence", Education, Audiovisual and Culture Executive Agency/EACEA) for a three-years period (2016-2019). In particular, it is the outcome of the international conference held at the University of the Peloponnese, Department of Politics and International Relations in Corinth (30-31 August, 2019) under the title "The Impact of EU Structural Funds on Greece: 1981-2019". The JMCE Gov acted as a facilitator of debate, research, knowledge and capacity-building vis-à-vis specific target groups within academia, civil society and civil administration staff. Dozens of events were organized, postgraduate courses were taught, special seminars and summer schools, conferences and many publications promoted public debate and raising of knowledge on structural funds and the many different implications in the economy, governance and society.

The volume aims at promoting research and public debate on the impact of EU Structural and Investment Funds on Greece (1981-2019), and in particular on investigating successes and failures linked to successive funding periods in comparative perspective with other EU members.

Over the last forty years, the EU Structural Funds (EUSF) have financed thousands of projects in the EU. Brussels has commissioned a large number of ex-ante, ex-itinere and ex-post evaluation studies to assess EUSF direct impact. In contrast to EU evaluation studies whose timespan is usually limited to a 5-year programming period, several academic studies have analyzed the medium-to longer-term impact of EU financial transfers on economic growth. However, in both Community-sponsored and academic evaluations, the impact of the Structural Funds remains a largely economic issue – it's no wonder then that the terms employed in the relevant studies are efficiency, income, convergence and growth. Thus, important long-term political aspects remain on the sidelines.

The collection of essays aims at directing cutting-edge multi-disciplinary research with regard to issues of governance and economic efficiency over the management of EUSF.

Chapters divide into respective sections each of which sheds light into four different parts, seen as distinctive angles, of the theme:

A: Governance, Administration and Institutional Design

B: Economic Development and Financial Instruments

C: Regional and Local Development

D: Policy and Impact

Part A examines the nexus between governance, administration and institutional design. Maria Fysekidou ("Institutional and organizational learning through European territorial cooperation networks: lessons from Greece") focuses on territorial cooperation and the relevant coordination mechanisms, which is a new direction for Greek authorities, in which individual administrative entities participate in public policies, strengthening coalitions oriented towards shared goals of territorial interest.

Sifis Plimakis, Georgios Karachalios, Panagiotis Liargovas and Nikolaos Apostolopoulos ("EU structural funds and employment policy reform in Greece: the governance trap of effectiveness") are concerned with inherent limitations and obstacles in the implementation of employment policy and European structural funds policy in Greece.

Nikolaos Apostolopoulos, Panagiotis Liargovas, Sifis Plimakis, and Eleni Anastasopoulou ("The Greek reality of the institutional framework and EU Structural Funds: insights from entrepreneurship and sustainable development") point out that the path to sustainable recovery of the Greek economy passes through sustainable entrepreneurship as it can develop through the social and green economy sectors.

Anastassios Chardas, Mariska van der Giessen and Zoltán Pogátsa ("The political economy of EU cohesion policy: perspectives from the south and east periphery of the EU") make the point that the effects of the EU cohesion policy cannot be properly identified if we do not include the effects of the broader political economy trajectories that have been formed as part of European economic integration.

Part B includes papers that address the broader issue of Economic Development and Financial Instruments.

Argyriou Thanasis, Labrinidis George, and Rekkas Timotheos ("Financial instruments for the support of SMES: the case of the Entrepreneurship Fund") suggest that planning and surveillance should be made from a special department of the Ministry of Development, which in turn would allow for coordination of all complementary policies, long-term perspectives and targets to the benefit of small scale capital, against monopolies.

According to Evangelos Taliouris and Stylianos-Ioannis Tzagkarakis ("Social economy and capital improvement and EU Structural Funds: social entrepreneurship as a framework for stakeholders' synergies, employment creation and corporate social responsibility"), a combination of positive national and supranational welfare policy through coordination in the European level and simultaneously, the enhancement of CSR, will provide lucrative ground for the transformation of Europe from an institutional austerity and technocracy biased actor into a fundamentally infused "Social Europe".

Ilias Makris, Stavros Stavroyiannis, and Sotiris Apostolopoulos ("The financing of the health sector through the European Structural and Investment Funds: the case of Greece") mention that the financing through the ESIF, generate opportunities to mitigate the effects of the crisis, supported the health sector as well as other sectors of the economy and helped the country to keep up with the objective of the converge with the other member states.

Part C puts regional and local development in the spotlight. Małgorzata Dziembała ("Does EU Cohesion Policy promote innovativeness of the less developed regions? the case of Polish Voivodeships") suggests with a view to Poland that economic policy should incorporate policy aims attached to the regional innovation system, and take advantage of funding on offer.

Georgia Manolopoulou ("Building a stronger Europe through culture: European capitals of culture. successes, failures and lessons of the Greek case") investigates how cities may further promote strong and sustainable commitment from the relevant local, regional and national authorities and from the local actors and communities as a means for promoting cultural governance.

Evangelos Taliouris ("Responsible entrepreneurship in regions and the role of European Structural Funds during 2014-2020 period") claims that the new programming period for ESFs in EU and Greece must take into consideration the CSR trends as well as the steps above in order transition from implicit to explicit CSR and responsible entrepreneurship to be linked with SDGs 2030 and SMEs experience and practice.

Part D investigates in depth the impact of ESF policies. Nikos Zaharis, and Asteris Huliaras ("Greece and the EU Structural Funds (1981-2018): the rise of commercial consultants") argue that small firms have become sometimes influential in affecting even the developmental strategies and priorities of local and regional authorities, while specific rules and procedures should be devised.

Zoe Karanikola and Georgios Panagiotopoulos ("Coherence of adult learning policies in different levels and types") recommend that coherence of the many different strands of policy need to be informed by evidence and proper monitoring, whereas clear leadership and government arrangements should be adopted.

Evanthia Savvidi ("Social policies and Internal Market in the EU public procurement") highlights the implicit difficulties in legally and successfully implementing horizontal considerations in specific public procurement procedures by Member States' contracting authorities.

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PART A

GOVERNANCE, ADMINISTRATION AND INSTITUTIONAL DESIGN

INSTITUTIONAL AND ORGANIZATIONAL LEARNING THROUGH EUROPEAN TERRITORIAL COOPERATION NETWORKS: LESSONS FROM GREECE

Maria Fysekidou

Introduction

The term "Territorial Cooperation" refers to a particular form of cooperation developed between various geographical entities. It summarizes international cooperation activities which involve European, national and subnational authorities, aiming at resolving cross-border problems and promoting joint actions in various areas of common interest such as cross-border infrastructure, environmental issues, transnational initiatives in the fields of culture, tourism, health, etc. As such, it is a form of multilevel cooperation, designed and implemented in a concrete case-by-case legal basis, institutional and programmatic framework.

"Territorial Cooperation" stimulated cooperation on different territorial and administrative levels for more than half a century. It acclaimed growing interest during past decades within the European area, both as a distinctive policy of the Council of Europe since the early 1960's, (e.g. initiatives of "Euroregions", "Euregios", "Working Communities" and legal tools such as multilateral cooperation agreements, the Madrid Convention, etc.), and as an integral part of the EU Cohesion Policy, with certain territorial dimensions, various policy tools (e.g. "Interreg", ERDF Art.10 pilot projects, etc) and legal instruments as well (e.g. EGTC Regulation). It is to be clarified from the preamble though, that this paper examines programs of the second category i.e funded by European Commission.

Territorial Cooperation[1] (TC) was initially launched back in 1990 as a Community Initiative under the name "INTERREG", aiming at the diminishment of the influence of national borders in favor of economic and social cohesion. This was the crucial step for the institutional establishment and substantial financial support to TC actions. Within five succeeding programming periods (PP1990-1993, PP1994-1999, PP2000-2006, PP2007-2013, PP2014-2020) TC gradually established as one of EU Cohesion Policy objectives. During the past three decades, EU framework on TC actions provided for the implementation of multiple joint projects and policy exchanges between national, regional and local actors from different Member States and third countries, deploying in three distinct strands of cooperation, spatially determined: (a) cross-border, (b) transnational and (c) interregional.

This paper seeks to portray the Greek experience form participating in TC programs. Particularly it aims to investigate the Greek response to innovations brought by TC projects on domestic institutional setting and investigate the types and direction of possible domestic changes (e.g. administrative structures and practices, policy style) that occurred (or not) in the Greek administrative system as a result of the exposure of the Greek system in transnational learning processes.

The main assumption is that TC established certain coordination mechanisms among actors (vertical/horizontal), activating learning channels and territorial governance practices within different spatial entities overall. Certain questions deploy around this assumption;

- What where the governance mechanisms that emerged through the participation of Greek spatial entities in the interregional, transnational and cross-border cooperation projects; Did TC programs trigger a rescaling process and the emergence of new levels for policy intervention in the Greek case;
- Were there any Europeanization dynamics? Who was subject to and how? What was the impact for Greek actors involved in TC? Did mechanisms of organizational and policy learning activate within the Greek public administration, especially at the regional level;

1. Several terms apply for such actions (eg "Interreg", "European Territorial Cooperation", etc), depending on the policy framework, legal provisions or historical period. Though each of them describes similar or identical types of actions, for the purpose of this paper we suggest the use of the term "Territorial Cooperation" (TC) rather than other individual ones, as we believe is more suitable and refers to such actions in a more comprehensive way.

The paper draws on the findings of the analysis of (a) original data, (b) a case study of four TC Programs and (c) semi-structured interviews. It should be noted that, the investigation of original data as regards Greece's participation in TC programs, encountered particular difficulties, notably as far as the early years of implementation are concerned. This is mainly due to the fact that information available, both at EU and national level, remains incomplete or/and unrecorded. Existing reports and assessments/ evaluations on EU Cohesion Policy of early Programming Periods do not appear to adequately record implementation data of TC programs. Most of the data listed in the following subsections is the outcome of original research on available official and unofficial documents in the Archives of the European Commission and DG Regional Policy.

Analytical Framework

Territorial Cooperation already runs its third decade of implementation. During the past years, a progressively increasing range of TC projects were launched, with varied spatial scope, framework, objectives and partners. Within international -notably European- academic literature, the concept itself stimulated a new research agenda for researchers from various scientific and interdisciplinary fields. TC phenomena, mainly its spatial, political and administrative implications, occupied the academic discourse either as a field of study per se, or as a reflection on factors and/or derivatives of wider changes in spatial organization. Mainly it was associated with the search for new approaches for public policies and spatial planning, in the aftermath of the critique for rational planning inefficiency, central state credibility crisis, and pressure for more participatory processes.

While much of the debate focuses on the spatial question of territorial cooperation schemes, part of the literature elaborates on governance mechanisms that emerge through the participation of national and subnational entities in border cooperation projects. The significant growth of the latter triggered the theoretical discussion on new forms of "territorial governance" and generated a research agenda for European scholars interested in the questions of policy transfer, policy learning, policy change and Europeanization between and within the member states.

But the question of 'learning' in policy, institutions and practices level, still remains open in the relevant literature. And so is the learning mechanisms produced by TC, as well as the question of whether this leads to a process of ultimate change and transformation in practice. This is further hampered by the fact that the nature of TC actions and the countries / partnerships in which they are applied, are very divergent, in a manner that the same type of TC project may have a different impact in different countries.

This paper reflects on TC under the spectrum of "territorial governance" and "Europeanisation", in particular the literature that examines the transnational framework for the transfer of 'learning' at the level of policies, institutions and practices as well as the exchange of know-how and good practices for more effective local and regional spatial policies (Colomb, 2007; Dabinett, 2006). It draws on studies addressing territorial cooperation programs as 'horizontal Europeanization' tools (Faludi, 2004) and 'channels of change' (Borzel and Risse, 2000), approaching EU as a 'mediator' or 'facilitator' (Knill and Lehmkuhl, 1999) that essentially provide a common framework for identifying and understanding a problem as well as a common 'toolbox' of ideas, methodologies or best practices for addressing it (Halpern, 2005).

Moreover, "'Territorial cooperation' is perceived as a special, sui generis phenomenon. "Territorial governance", as a distinct and interdisciplinary basic concept, is also not easy to integrate into a pre-existing broader analytic set, mainly due to the very different theoretical and empirical perspectives under which it is approached and synthesized. However, for the purpose of this paper, it is appropriate to follow the conceptualization that proposes "territorial governance'" as an approach which seeks to "place 'governance' in place of traditional 'government' and particularly "Territorial governance' in place of conventional spatial planning" (Wassenhoven, 2004).

Of course, each of the individual literature approaches to "territorial governance" differently weights various factors; dynamics of the nation-state, networks, social organization of space, territorial actors, dissemination of ideas and practices, etc. These factors are not necessarily mutually exclusive; rather they can suggest a selective synthesis for the comprehensive explanation of institutions and processes and for clarifying the complex relationships formed between supranational and national actors in the design and implementation of TC actions particularly. The analytical framework derives deploys in three levels a) The first examines participants who represent a particular organization, transmit their experiences and receive the experience of individuals representing other partner organizations in a territorial cooperation program, b) The second analyzes the relationship between knowledge and development at the 'regional or national' level. This is essentially the process of producing and disseminating knowledge not only within individual organizations but also between organizations implementing INTERREG projects at regional or national level. To study this case, analysis borrows tools such as 'disseminating knowledge' (Berry and Berry, 1999), 'institutional analysis' (Hall and Taylor, 1996), 'social learning' (Hall, 1993), 'Ideas and policy making' (Blyth, 1997), 'sociology of organizations' (James and Lodge, 2003), 'culture of organizations and human resources' (Van Bueren et al., 2002), finally, the third level focuses on the processes of knowledge production and transfer in the "transnational" context.

Historical Overview of Territorial Cooperation Programs in Greece. From 1989 to 2013

The First Decade: 1990-2000

During the mid-1980s, political developments in the core of the European area signaled the necessity for financial assistance provisions for the support of European regions. Just after the signing of the Single European Act, a document issued by the European Commission under the title 'Single European Act: a new frontier for Europe", drafted the guidelines for structural Community policies that were to come into force in the coming years (CEC, 1987:7).

By the beginning of the next decade, EU Cohesion Policy was launched coinciding with political, territorial and administrative shifts, the German reunification included, administrative reforms of EU Member States and the emergence of a new role for their regions (CEC, 1993:10). The aforementioned changes inevitably shifted the priorities and procedures of structural adjustment, while indicating changes in Cohesion Policy Regulations overall. It was at that time, that the European Community Initiatives were introduced, and particularly the "INTERREG Initiative" for the promotion of cross-border cooperation, the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States.

Early cooperation in external and internal EU borders

During the first of Cohesion Policy period, Territorial Cooperation as designed and implemented under the Community Initiative INTERREG I, included a total of 31 operational programs for the period 1990-1993, receiving financing from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund.

In early 1990's Greece enters these programs already facing inefficiencies in regional development and a lack of an administrative architecture that could allow for regions to act as an institutional interlocutor. Rather than that, participation in European Cohesion Policy is centrally coordinated and highly based on political consensus. Despite those difficulties, Greece introduced itself as one of the four EU members states mostly affected by the implementation of Cohesion Policy programs (major recipients) for the period 1989-1993, along Spain, Ireland and Portugal (CEC, 1993:39). But Greece was also one of the pioneers in territorial cooperation, participating from the beginning in the INTERREG Initiative, by including cross border projects targeted not only to EU's internal borders (Member States), but also EU'S external borders as well (third countries).

As far as EU's external borders are concerned, Greece participated in cooperation programs with former COMECON countries, along with Italy, Germany and Denmark. Even though these early programs had a rather limited impact on the development of a cross-border cooperation momentum, they marked the beginning of the implementation of such actions (CEC, 1993:5). Greece also participated in EU's internal borders cooperation projects under the Regen Component adopted in 1992 by the EU under the auspices of INTERREG; an operational program concerning the association of Italian and Greek electricity networks (in Arachthos - Galatina areas) was realized (CEC, 1994:38).

During the same period, Article 10 of the ERDF Regulation provided for the implementation of studies and pilot schemes to promote regional development at Community level (EC, 1991b:62), facilitating interface between areas covered by the other priorities of the Structural Funds. In 1989, the majority of Article 10 ERDF resources were directed to financing studies and pilot actions concerning cross-border cooperation. In 1991, first eight pilot urban projects were launched, regarding urban regeneration and implementation of urban policies in Member States. These pilot programs were directed at three main thematic objectives for developing synergies between cities and regions. Thessaloniki (Greece) participated jointly with the city of Lisbon (Portugal) in the axis of economic upgrading of historic city centers (CEC, 1991b:64).

Table 1 *Community Initiatives 1989-1993 - EC contribution by initiative and by Member - State (in million ECU). Own processing. Data source 7th Report on the Structural Funds (1995)*

	ENVIREG	PRISMA	INTERREG/ REGEN	RECHR	RESIDER	RENAVAL	STRIDE	TELEMATIQUE	ΣΥΝΟΛΟ
Belgium	-	-	-	27,6	18,6	6,5	4,5	-	57,2
Denmark	-	-	-	-	-	12,4	2,2	-	14,6
Germany	-	-	-	87,6	93,2	37,3	4,3	-	222,4
Greece	84,0	17,7	**89,9**	-	-	-	59,3	41,3	**292,2**
Spain	139,2	32,2	-	25,3	52,4	18,2	255,9	75,4	498,7
France	16,1[2]	5,2[3]	-	52,4	58,8	65,3	16,4[4]	1,7	215,9
Ireland	30,4	9,4	**118,4**	-	-	-	13,1	11,0	182,3
Italy	171,2	22,6	**2,0**	-	23,0	20,5	94,9	64,7	398,9
Luxembourg	-	-	-	-	8,7	-	2,1	-	10,8
Netherlands	-	-	-	-	-	27,6	4,6	-	32,2
Portugal	101,8	17,5	**8,2**	3,4	5,0	24,0	54,1	35,6	323,6
United Kingdom	17,7	5,7	-	184,2	4,7	87,3	30,2	5,4	335,2
EUR-12	-	-	**1077,2**	-	-	-	-	-	1077,2
Total	560,4	110,3	**1369,7**	380,5	264,4	299,1	441,6	235,2	3661,2

Mid 90's

Cross-border cooperation in Europe, at both internal and external European borders, continued during the next programming period (1994-1999) under INTERREG II incorporating support actions for transnational energy networks, cross-border collaborations and cooperation in spatial planning. During this period, territorial cooperation, as well as the effort to develop policies to confront problems in areas with specific geographical features such as insularity, especially in the Mediterranean countries, gained a new momentum after the occasional enlargements and especially after the integration of the Nordic countries in the mid- 1990s. With the accession of

2. Including 12.06 million ECU for Objective 1 Regions.
3. Including PRISMA - TELEMATIQUE.
4. ENVIREG- STRIDE.

Austria, Sweden and Finland, the number of internal and external borders increased significantly, resulting in INTERREG IIA innovations, such as the incorporation of all border regions along the internal and external EU borders in the projects and the emphasis on maritime borders cooperation. INTERREG II supported 16 marine operational programs (against 4 in INTERREG I) and most of them (11 programs) regarded EU's internal borders. A total of 35 programs realized concerning the internal borders and 24 on the EU's external borders.

The analysis of cross-border programmatic documents of the period, illustrates a tendency on one hand towards the cooperation of smaller geographical areas and on the other, towards regional and/or locally oriented programs for the period 1994-2000. As to the second trend, the only purely "national" programs were those in the Spanish/Portuguese and Spanish/French borders, while the program "External borders of Greece" included separate sections split on borders: Greece / Bulgaria, Greece / Albania, Greece / FYROM (for each of which there was also a separate PHARE CBC program and JPMC one) as well as for cooperation with Cyprus.

Table 2 *Greece - Community Initiatives. 1996 (in programming period 1994-2000). Own processing. Data source: 8th Annual Report on the Structural Funds (1996). Prices in million ECU.*

Community Initiative (number per Initiative)	Total Budget	ESIF Contribution * (1)	Commitment appropriation 1996	Commitment appropriation. 1994-1996 (2)	% (2)/(1)	Payments 1996	Payments 1994-1996 (3)	% (3)/(1)
ADAPT(1)								
ΑΠΑΣΧΟΛΗΣΗ(1)	44,6	30,1	20,3	27,4	91%	4,8	8,4	28%
LEADER(1)	86,9	64,4	4,6	12,6	20%	2,3	6,4	10%
PESCA(1)	263,6	148,0	0,0	22,6	15%	0,0	11,3	8%
MME(1)	54,6	27,1	22,3	26,8	99%	0,3	2,6	9%
RECHAR(1)	156,9	83,3	18,3	28,8	35%	9,2	14,4	17%
KONVER(1)	2,0	1,5	0,2	1,5	100%	0,1	0,8	50%
RESIDER(1)	20,3	12,9	0,0	11,5	89%	0,0	5,7	44%
RETEX(1)	8,9	4,7	0,6	4,7	100%	0,3	2,3	50%
URBAN(1)	145,3	87,5	50,2	62,0	71%	25,9	35,0	40%
INTERREG/REGEN (3)	67,2	45,2	1,1	5,6	12%	0,6	2,3	5%
TOTAL (13)	**850,3**	**504,8**	**117,5**	**203,4**	**40%**	**43,4**	**89,1**	**18%**

* Apart reserve.

During the period 1994-2000 Greece participated in almost all the Community Initiatives (excluding Initiative (REGIS), particularly in ten projects, including three INTERREG programs, two for REGEN component and one for cross-border cooperation (CEC, 1995b:165). Funding received for cross-border programs reached 10 million €. The INTERREG-REGEN program between Greece- Italy, already launched during the previous programming period, continued in order to complete the interconnection of electricity grids/network between Greece and Italy. This time, financing aimed to contribute both to cross-border cooperation between the two countries, and the integration of the internal market. In parallel, a new project "Integration of Energy Networks" for importing and transportation of natural gas in Greece under the REGEN component, followed a successor program financed by the REGEN Initiative during the period 1989-1993, aiming to create pipeline for natural gas transportation from Russia to Athens through the Bulgarian borders and promote the energy transfer to Algeria (LNG) (CEC, 1995b:162).

Bilateral cooperation at EU's external borders, incorporated a number of programs at national borders: Greece / Bulgaria , Greece / Albania, Greece / FYROM (for each of them there was also a separate PHARE CBC program and a JPMC submitted on the basis of a Project Plan adopted by Greece in November 1994, which included four individual country CBC programs). Meantime, Greece and Albania adopted an interconnection program with Bulgaria, based on protocols agreed with Albanian and Bulgarian authorities and financed by the PHARE program to support telecommunications energy infrastructures and the exchange of experience in education, management of water resources, etc.

Finally, Greece participated in transnational cooperation schemes. ARCHIMED, a pilot action launched in 1997 under Article 10 of ERDF, in which Greece (total of territory) together with Italy (Basilicata, Calabria, Apulia, Sicily) participated as partners, in order to prepare/pave the way for the establishment of transnational cooperation in developing a common vision and a common strategy for problems associated with the spatial development of the region and the creation of an integrated planning framework in the Eastern Mediterranean area.

From 2000 to 2013

Intending to enhance the effectiveness of structural measures/actions, Regulation 1260/99 provided for the reduction of the number of intervention Objectives from seven during the period 1994-1999 to three priority Objectives for the period 2000-2006. The new regulations allowed for the decrease of the number of Community Initiatives from thirteen during the programming period 1994-1999 to four, for the programming period 2000-2006. INTERREG III Initiative for 2000-2006 extended its scope by providing support for cooperation hereinafter in three territorial strands: Strand A, cross-border cooperation between border regions; Strand B, for transnational cooperation between national, regional and local authorities of various States; and Strand C, for interregional cooperation between contiguous and non contiguous regions and competent public authorities, in order to improve the effectiveness of regional development tools.

Greece participated in all three strands (A, B and C) of the initiative, through 14 programs (out of total 80) of Interreg III, holding managing responsibilities for seven of them (six cross-border with: Albania, Bulgaria, Italy, Cyprus, Macedonia and Turkey), and a transnational: the ARCHIMED, held by Greece, Italy, Cyprus and Malta. Cross border programs included "Greece-Bulgaria 2000-2006", the OP INTERREG III A "Greece-Cyprus 2000-2006", the OP INTERREG IIIA "Greece-Albania" and the "OP Greece-Italy". A CBC program "Greece-Turkey" was also launched, with overall strategic goal to address the area as a peace and consolidation core in the Eastern Balkans and the Aegean Sea. The program, however -which aimed to interventions on cross-border infrastructure, economic development and employment, quality of life, environment and civilization- was suspended soon enough after its launch.

Greece also participated in a new set of "Neighborhood Programmes" to be operated between 2004-2006 – just before the introduction of the Neighborhood Instrument in 2007. Operational Programme "INTERREG III A / CARDS Greece - FYROM", was one of those programs, designed to eliminate previous problems encountered in the implementation of both OP and other similar cross-border programs.

As regards transnational and interregional cooperation, Greece participated in the CADSES Programme -successor of Interreg IIC-CADSES- program adopted in 2001 for transnational cooperation on spatial development aiming to promote harmonious and balanced development of the European and eligible areas of countries of the enlarged EU and also Balkan countries, which were included in the program. During the same period Greece participated in the Transnational Programme INTERREG IIIB ARCHIMED, for the territorial integration of the "Southeastern

Mediterranean Area" and conjunction of the Mediterranean basin in the Barcelona process, incorporating actions relating to the establishment of a Euro-Mediterranean Free Trade Area. INTERREG IIIB ARCHIMED program focused on spatial planning towards polycentric and sustainable development, improving access to European transport, energy and information and finally, promotion, improvement and preservation of natural, cultural and environmental heritage.

Finally, Greece participated in strand C (i.e. interregional cooperation) of the Community Initiative Interreg III, designed to strengthen economic and social cohesion in the European Union and the promotion of interregional cooperation. Interreg III Strand C allocated for better administration in four zones, North, South, East and West. Greece participated in two programs according to its spatial eligibility; Trans-European cooperation program INTERREG IIIG- East zone (Interreg III C - East) to provide capacity in regional and other public authorities of the Eastern zone to develop networks of cooperation to address common problems and Trans-European cooperation program INTERREG III - strand C - South Zone (Interreg III C - South).

2007-2013

During the programming period 2007-2013, simplifications in the cohesion policy summarized in the provision of three Objectives (instead of four in comparison to former period) plus four Community Initiatives and the Cohesion Fund, with three financial institutions (rather than six) and the upgrade of Community Initiatives INTERREG to an individual Objective (Objective III) of the EU cohesion policy under the title "European Territorial Cooperation". The new Objective III, directed at strengthening territorial cooperation at cross-border, transnational and interregional level and the creation of cooperation networks to promote exchanges of experience. Objective III allocation for Greece in 2007-2013 amounted to € 300 million and headed to implement 12 Operational Programmes: nine cross-border, two transnational and the interregional one. Cross border cooperation included projects both in the EU's external borders (Financed by IPA) and at the internal borders (ERDF funding). Priority areas included entrepreneurship and SMEs, tourism, culture, cross-border trade, protection and joint management of the environment, improved access to transport, information and communication networks, water, waste management, health, culture, infrastructure and finally, education.

Billateral Cross border cooperation included the programs “Greece – Bulgaria”, “Greece – Italy”, “Greece – Cyprus”, “Greece – Albania”, “Greece – FYROM”. Compared to the previous programming period, bilateral cross-border programs in which the country participated had limited resources, with greater percentage of reduction in bilateral cross-border cooperation program “Greece – Albania”. Additionally, Greece participated in three multilateral cross-border projects in the role of the National Coordinator (MEF): a) program for the “Adriatic» (Adriatic IPA Cross-Border Cooperation Programme 2007-2013), financed by IPA, b) “Mediterranean Sea Basin» (MED - ENPI) program, financed by European Neighborhood and Partnership Instrument (ENPI), and c) “Black Sea” (Black Sea - ENPI) program financed by the European Neighborhood and Partnership Instrument (ENPI).

As regards transnational cooperation (Strand B), Greece participated in programs of extensive geographical areas, which included the candidate countries and potential candidates for accession to the EU, and the Greek regions, i.e. the “MED Programme”, the “South East Europe Programme” and the “INTERACT” network. Finally, the country participated in the single “Interregional Cooperation Programme” to exchange experiences and best practices in the field of interregional cooperation, which was structured around two thematic priorities: a) innovation and the knowledge economy and b) environment and risk prevention, to qualify the whole of the European Union with the exception of Germany, Norway and Switzerland.

Territorial Cooperation in the Programming Period 2014-2020

Debate on the future of cohesion policy after 2013 was launched with the publication of “5th Report to the European Commission’s Cohesion Policy” in 2010. After the adoption of the Multiannual Financial Framework 2014-2020 and the new legislative framework for the Structural Funds, priorities summarized succinctly in enhancing competitiveness and enterprise extroversion, development and utilization of human resources, environmental protection and the transition to a friendly environment, development, modernization and completion of access infrastructure and the improvement of institutional capacity and the efficiency of public administration and local government.

Basic strategic choices and priorities in the Greek case summarize on the directions included both in “Europe 2020 strategy to promote smart,

Table 3 *Greece- Overview of Territorial Cooperation Programs 1989-2020. Processed by author*

Participation in Territorial Cooperation forms - Greece							
Programming Periods	**Pilot Actions (art.10 ERDF)/ EU Initiatives**	**Cross-Border**	**Transnational**	**Interegional**	**Networks**	**ENPI/ENI Cross Border**	**Interreg- IPA Cross-Border**
1989-1993	• ENVIREG, • PRISMA, • STRIDE, • TELEMATIQUE	• INTERREG I /REGEN Greece-Italy					
1994-1999	• ARCHI-MED (EL-IT) • ADAPT • ΑΠΑΣΧΟΛΗΣΗ • LEADER • PESCA • MME • RECHAR • KONVER • RESIDER • RETEX	• INTERREG II /REGEN Greece-Italy (EL-IT), • INTERREG "Greece External Borders" o Greece - Albania (EL-AL) o Greece - Bulgaria (EL-BG) o Greece – FYROM (EL/FYROM) o Greece - Cyprus (EL-CY)	• PHARE CBC o Greece - Albania (EL-AL) o Greece - Bulgaria (EL-BG) o Greece - Former Yugoslav Republic of Macedonia (EL/FYROM) o Greece - Cyprus (EL-CY)				
2000-2006		• Greece - Albania (EL-AL) • Greece - Bulgaria (EL-BG) • Greece - Cyprus (EL-CY) • Greece - Former Yugoslav Republic of Macedonia (EL/FYROM) • Greece - Italy (EL-IT) • Greece - Turkey (EL-TR)	• INTERREG III B ARCHI-MED (EL- IT)	•INTERREG III C (All EU regions)	• ESPON I • Interact I • Interreg IIIC East • Interreg IIIC North • Interreg IIIC South • Interreg IIIC West • URBACT I		
2007-2013		• Greece - Bulgaria (EL-BG) • Greece - Cyprus (EL-CY) • Greece - Italy (EL-IT)	• Programme MED • South East Europe	•INTERREG IV C (All EU regions)	• ESPON • Interreg IVC • URBACT II	• Black Sea Basin ENPI CBC • Mediterranean Sea Basin ENPI CBC	• Adriatic IPA CBC (IT-SI-EL-HR-BA-ME-AL-RS) • Greece - Albania IPA CBC (EL-AL) • Greece - Former Yugoslav Republic of Macedonia IPA CBC (EL-FYROM)
2014-2020		• INTERREG V-A Greece – Bulgaria • INTERREG V-A Greece – Cyprus • INTERREG V-A Greece – Italy	• INTERREG VB Adriatic – Ionian • INTERREG VB Balkan-Mediterranean • INTERREG VB Mediterranean	•INTERREG EUROPE (All EU regions)	• ESPON 2020 • INTERACT III • Interreg Europe • URBACT III	• Black Sea Basin ENI CBC • Mediterranean Sea Basin ENI CBC	• Interreg IPA CBC Greece – Albania • Interreg IPA CBC Greece - Former Yugoslav Republic of Macedonia

sustainable and inclusive economy", and the National Reform Programme for Growth and Jobs 2011-2014.

For the current period, the implementation of "strategic projects" was officially adopted as an operational priority. Taking into consideration this concept and the assumption that the fundamental reason of providing financial support to projects within the framework of the Structural Funds is to support the process of reaching the EU's overall objectives, European Territorial Cooperation co-financed projects -to much greater extent than in the past- to cope with the challenge of creating strategic benefits for all of their eligible areas. Meanwhile, in the new programming period, calls for strategic projects were formulated to give the opportunity to the stakeholder to make proposals which would consolidate the impact of cross-border cooperation in a medium-term time horizon, with a multiple target to respond to local, national and European objectives, run by an integrated, interdisciplinary and holistic nature, and a tangible and visible impact on the maximum geographical programs, and will create strong and sustainable over time, patterns of cooperation.

In this scope, during 2014-2020 period, Greece continues former established partnerships and participates in bilateral cross border cooperation programs together with Bulgaria, Italy, Cyprus, Albania and FYROM. Transnational Cooperation includes "Programme MED 2014-2020", "NTERREG V-B "Balkan – Mediterranean2014-2020", "INTERREG V-B "MED2014", ENI Cross –border Cooperation Programme "Mediterranean Sea Basin 2014-2020", as well as the Interregional Cooperation Programme "INTERREG Europe 2014-2020".

Finally, in view of the programming period 2014-2020 and the delimitation of individual strategies and programmatic actions, a "Macro region" was launched in the "Adriatic –Ionion" area, including national and regional authorities of EU member- States and five candidate countries. This "macro" idea as already applied in the case of the Baltic Sea and the Danube basin, involves Greece as a member of a functional zone with regions associated with one or more characteristics of geographical, cultural, economic or other nature.

Understanding the Specific Conditions for the Implementation of Territorial Cooperation in Greece

Greece participated in TC actions from the very outset, implementing TC programs with: (a) Member States (Italy), (b) candidate countries (Turkey) (c) potential for accession candidates (Albania) and (d) third countries in the Mediterranean and East. In spatial and operational terms, this meant that cooperating with homologous counterparts, i.e. Member States, was only limited to one country (Italy) for almost two decades, two since the accession of Bulgaria in 2007. But it also meant that the heterogeneity of partner countries created a diverse set of institutional challenges. It signified that effective implementation of the TC not only had to adjust to specific project framework provisions and individual regulatory arrangements of each Fund, but also take into account and overcome impediments such as lack of resources, institutional differentiations and low administrative capacity by regional and local authorities of counterparts. In some cases, cooperation with candidate countries (e.g. Bulgaria) and potential candidate countries (e.g. Albania) had to ensure political consensus apart from operational arrangements, whereas in one case (cooperation with Turkey) unsuccessful institutional and political argumentation suspended the chance for cooperation since the very beginning.

Despite difficulties, Greece emphasized on the importance of establishing substantial coordination among the countries, mainly, the Balkans. To further leverage the country's role as an important partner in the wider geographical area, an institutional decentralization took place; the "Managing Authority of European Territorial Cooperation Programmes", i.e. the principal body that represents Greece in TC Programmes, became the only ESIF national Authority[5] reallocated from Athens to Thessaloniki.

Participation in TC was primarily an institutional endeavor. As a cooperative mechanism, TC included cooperation with foreign national administrations at multiple levels, participation in joint management structures (e.g. Joint Technical Secretariats) and activation of sub-national entities. Therefore, the establishment of an efficient vertical and horizontal coordination became a key issue for Greek authorities not only for management and joint decision-making, but also for the "europeanisation" process that could take place through familiarization with other administrative administrative systems, learning and knowledge transfer.

This new pattern of co-operation proved to be quite a challenging task for the Greek Administrative system, both in structural and procedural terms. The linear approach for decision making through which the center regulated almost every policy field delegating operational competences to regional actors, suddenly became outdated and, most importantly, non-eligible for EU funding. Europeanization tangling the carrot of EU Funds progressively led to the major reassessment of the Greek governance system which subsequently fostered a major redistribution of competences amongst the different levels of governance. In the new administrative order, the role of the regions in the governance system was significantly enhanced. From previously marginalised actors the latter were realised as autonomous entitites with significant co-ordination and management competences.

Indeed, in 1985 European Regional Policy financing of IMPs (Mediterranean Integrated Programs) required the existence of a regional level of administration. Within this context the Greek "region" emerged as an administrative level, linked to specific needs of Greece's involvement in

5. Apart from Regional Ops, which are located in respective regions.

European Community in 1986 (Psycharis and Simatou, 2003:653) (Hlepas, 2001:230). But the reform agenda of the European Community Structural Funds even more exacerbated the pressure for change towards a more flexible and efficient approach. It took several years and a series of legislation reforms to alter the course of the Greek regions' operation and empower their competences. It was not until 1994 that a first attempt to upgrade their role (Law, 2218/1994) took place, providing for the institutionalization of Prefectural Administration level and state-level services to be transferred to the Regions.

In 1997, a more comprehensive reorganization of the Greek state's decentralization system was put in force, with the establishment of the Region as an administrative state unit (Law, 2503/1997), including responsibilities for planning and coordinating regional development. However, the crucial step for Greek regions to acquire an overall more active role in Cohesion Policy management was realized only in 2010 with Kallikratis Law (Law, 3852/2010), which enhanced regional competences, also allowing for Territorial Cooperation actions.

During this period, the country participated in a series of cross-border programs, directed towards cooperation both to smaller geographical areas and to programs of broader regional orientation and level. In all above cases, Greek regions did not seem to have institutional opportunities to engage crucially, although TC programs were related to local policy cooperation. This was further hampered by the fact that Greece participated in cross-border programs run from highly centralized management, in which the national authorities continued to play a dominant role.

With the exception of cooperation programs with Italy, all programs that covered external borders and new internal borders, faced difficulties in achieving their goals, given the provisions of EU external funding programs which favored more centralized joint management systems (PHARE programs and TACIS / MEDA)- and the general backwardness of the country on issues of decentralization and delegation of regional powers. In this view - and after the difficulties encountered in the implementation of fragmented cooperation programs of the first programming periods- it took plenty of time and efforts to grow emphasis on more targeted programs to address specific, strategic issues in eligible areas, and most importantly adopt a genuinely joint approach on management and implementation.

Nevertheless, TC management mobilized actors from all tenets activating Greek and foreign authorities in a multilevel decision-making system.

To shed light in the interaction between structural and individual factors affecting the results of territorial cooperation in the Greek case, the established network is of great importance. This is further highlighted by the fact that the entities involved were not only responsible for design and implementation of TC actions, but also subject "Europeanization" processes. Understanding the network, provides insight of the mechanincs of knowledge and policy transfer for Greek participants.

In most cases, TC actors form a network of relatively stable relationships, rather than hierarchical ones, to which interactive multiple actors were linked, in two levels a transnational and a domestic one. In both levels, actors share common TC interests, determined each time by the nature of the entity they represent and its territorial competence (e.g. regions) and to this end they exchange their resources. As regards the transnaltional level, the partnerships formed for the implementation of a TC Program usually provide a pre-fixed set of bodies aiming at efficient implementation of the projects. The overall architecture which applys for most TC Programs and the basic Programme management structures includes:

- The Monitoring Committee (MC) – consisting of representatives of each participating country – supervises the implementation of Program and selects Projects to be financed. Its overall task is to ensure the quality and effectiveness of Programme implementation.
- The Managing Authority (MA), assisted by the Joint Secretariat (JS), hosted by the partner countries, is responsible for the overall Programme implementation. The JS will be the central contact point for potential Project applicants and Project partners.
- The Certifying Authority (CA), among other functions, is responsible for drawing up and submitting certified statements of expenditure and applications for payment to the Commission and receiving payments from the Commission. The CA shall use the payments received from the Commission to reimburse the Lead Partners.
- The Audit Authority (AA) ensures that audits are carried out on the management and control systems, on an appropriate sample of operations and on the annual accounts. The AA will be assisted by a Group of Auditors (GoA) comprising of representatives from responsible bodies of each Partner State.
- First Level Controllers (FLCs) are designated by each Partner State to ensure the compliance of expenditure incurred by project part-

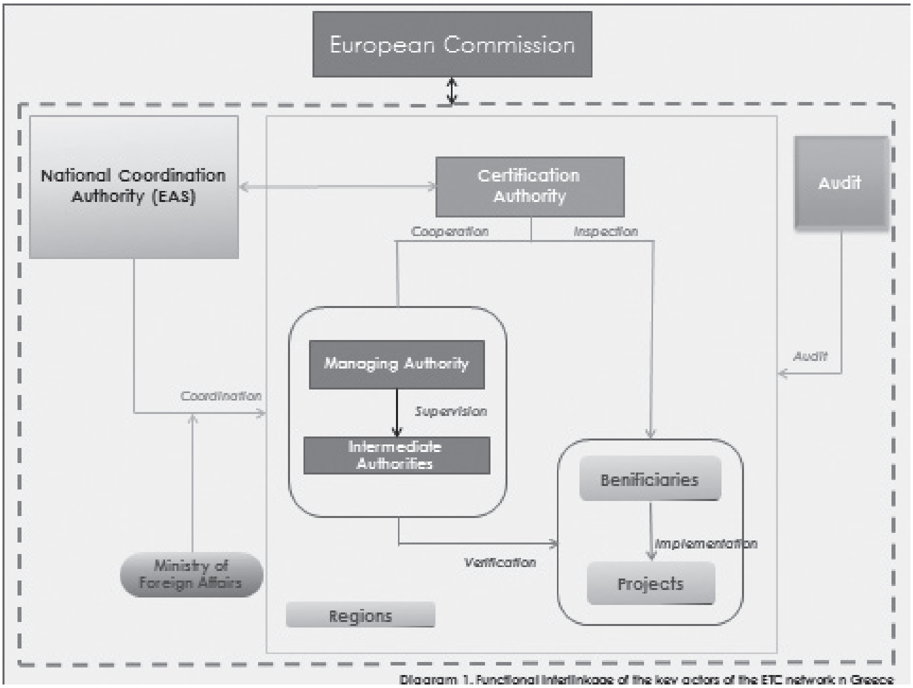
ners on national level with Community and national rules, by carrying out appropriate verifications, covering administrative, financial, technical and physical aspects of operations. Controllers shall be nominated in line with the national provisions of each Partner State. Each country participating in the Program is responsible for verifications carried out on its territory.
- National Contact Points (NCPs) are set up by each participating country to complement transnational activities of the MA and the JS by involving stakeholders from the national level.
- The Lead Partners (LP) located in one of the OP are designated by all the beneficiaries participating in a Project to assume responsibility for ensuring implementation of the entire Project (including the arrangements for recovering amounts unduly paid); furthermore for ensuring that the expenditure presented by other beneficiaries has been incurred and corresponds to the activities agreed between all the beneficiaries, that it has been verified by a controller, and that the other beneficiaries receive the total amount of the contribution from the EU funds.

As regards the domestic level, the key actor in the planning and implementation of TC, is the Managing Authority (MA) of "European Territorial Cooperation" (ETC) Programmes. Established in 2002, the MA is responsible for the implementation of all European Territorial Cooperation programs. As such, it appears to function as the main body for networking, transfer of know-how and experience, and it is the primary body responsible for disseminating the information & results achieved through each OP.

The National Coordination Authority, i.e. Directorate General for Development Programming, Regional Policy and Public Investment of the line Ministry, coordinates planning and implementing of operational programs to ensure the effectiveness and legitimacy of management and implementation of operational programs. As the main Greek interlocutor to the European Commission for territorial cooperation, it monitors and coordinates the planning and implementation of TC programs, ensuring their compatibility with national policies and the EU policies and priorities.

"Management Organization Unit of Development Programmes" (MOU SA), is also an important, horizontal, actor for the implementation of all Cohesion Policy programs. Its very creation aimed at the scientific and technical support of EU co-financed programs to meet the needs for

Fig 1 *Functional interlinkage of TC key actors in Greece. Own processing*



skilled manpower and know-how to improve administrative structures. Particularly for TC actions, MOU supports responsible authorities and it can be assigned with the support of joint technical secretariats -including recruitment, if required. For this purpose MoU may perform technical support operations and payments on behalf of the beneficiaries within the objective "European Territorial Cooperation".

As regards the regions, responsibilities include the design, planning, preparing general and specific development studies concerning spatial powers of the region and cooperation with regional bodies drafting and proposing implementation of projects financed by Community initiatives and interregional cooperation programs. Regarding the networks, two or more regions with common characteristics may constitute networks to participate in European programs and cooperation with similar foreign networks. To better serve the objectives of the network social institutions with similar purposes to those of the network, may participate, and also universities or research institutions.

The Greek regions may also participate in international regions collaborations with relevant local authorities and other agencies across national borders, within their powers and without prejudice to the international obligations of the country. This cooperation may take place: a) at international level, to promote and facilitate transnational, interregional, cross-border and territorial cooperation by participating in public networks, regional and local authorities and other international and regional organizations and b) European level, by participating in EU networks, the Council of Europe and other European organizations.

Urban non profit bodies established by prefectures may also participate in join actions concerning TC - if provided by legislation or by the regulatory framework of national and Community programs, and provided that their action is compatible with national and European policies. The regions may enter into agreements or establish networks for strengthening economic, social and territorial cohesion, to participate in European groupings of territorial cooperation (EGTC) and provide the relevant appropriation in the budget.

The Ministry of Foreign Affairs also deals with the coordination and promotion of Greek participation in co-funded programs with third countries, European and International Financial Mechanisms. Its responsibilities are the overall representation in national, international and European authorities on investment issues, co-financed programs and actions of the Ministry and the strategic planning, programming and coordination of European Territorial Cooperation Programmes, in cooperation with the line Ministries.

The typology of the beneficiaries, comprises of a wide range of public institutions, central and local government bodies and other agencies. Therefore, partners / beneficiaries may include in general: Ministries, Regional Authorities, Prefectures border region, local authorities (municipalities, communities), public organizations, chambers, financial institutions, intermediaries managing bodies, entities of public and private law, non-Governmental and non-Profit Organizations, higher education institutions, research institutes. The partners or beneficiaries of TC programs may be public or private bodies, depending on the provisions implementing each OP, under what is provided for in relevant ERDF Regulations or the financial instruments IPA and ENPI and the relevant applicable documents.

Table 4 *Greece- Partners per nuts. Own processing, data retrieved from KEEP.eu.*

Nuts	Type of Territorial Cooperation & Partners - Greece							
	Cross-Border				Transnational			
	2000-2006	2007-2013 (Interreg Cross Border & Interreg -IPA Cross-Border)	2014 - 2020 (Interreg Cross Border & Interreg -IPA Cross-Border)	Total	2000-2006	2007-2013	2014 - 2020	Total
nuts_1	Number of Partners				Number of Partners			
[EL3] - Attikη (attiki)	32	33	25	**90**	144	137	82	**363**
[EL4] - Νησια αιγαιου, κρητη (nisia aigaiou, kriti),	12	106	55	**173**	122	69	42	**233**
[EL5] - Βορεια ελλαδα (voreia ellada)	48	436	249	**733**	134	137	78	**349**
[EL6] - Κεντρικη ελλαδα (kentriki ellada)	51	128	26	**205**	130	78	57	**265**
nuts_2	Number of Partners				Number of Partners			
[EL30] - Αττική (attiki)	32	33	25	**90**	144	137	82	**363**
[EL41] - Βόρειο αιγαίο (voreio aigaio)	4	20	17	**41**	29	15	11	**55**
[EL42] - Νότιο αιγαίο (notio aigaio)	1	20	12	**33**	18	11	8	**37**
[EL43] - Κρήτη (kriti)	7	66	26	**99**	75	43	23	**141**
[EL51] - Ανατολική μακεδονία, θράκη (anatoliki makedonia, thraki)	3	100	63	**166**	40	27	8	**75**
[EL52] - Κεντρική μακεδονία (kentriki makedonia)	3	170	94	**267**	56	78	47	**181**
[EL53] - Δυτική μακεδονία (dytiki makedonia)	2	41	39	**82**	15	12	8	**35**
[EL54] - Ήπειρος (ipeiros)	40	125	53	**218**	23	20	15	**58**
[EL61] - Θεσσαλία (thessalia)	0	1	3	**4**	43	20	12	**75**
[EL62] - Ιόνια νησιά (ionia nisia)	18	68	20	**106**	20	6	6	**32**
[EL63] - Δυτική ελλάδα (dytiki ellada)	32	59	3	**94**	39	44	30	**113**
[EL64] - Στερεά ελλάδα (sterea ellada)	1			1	11	3	4	**4**
[EL65] - Πελοπόννησος (peloponnisos)	0	0	0	0	17	5	5	**27**
Total	**143**	**703**	**355**		**530**	**421**	**259**	

Territorial Cooperation as a Learning Mechanism

Lessons form INTERREG II

This section presents Greece's performance in INTERREG II, (Programming Period 1994-1999). Case study included four programs; three Cross-border cooperation programs and a transnational one. Cross-border study included cooperation with a Member State (Italy), a potential candidate country (Albania) and a candidate (Bulgaria) one. Transnational cooperation study included the ARCHIMED. Sources comprise of existing data, programming documents, official evaluations, informal reports and internal working documents. The overall objective of the study was to evaluate the degree to which these programs made an effective contribution to promoting cross-border cooperation between national authorities in relevant countries and assess their achievements in deepening of co-operation in two levels: (a) strategic co-operation at the level of the entire programme and (b) project level co-operation.

The Programs "Greece-Bulgaria" INTERREG II (1994-1999) and "Greece –Albania" INTERREG II (1994-1999), were implemented on the basis of a submitted draft program adopted by Greece in November 1994, which included four individual country CBC programs. Both Programs consist one of the first opportunities for joint decision making in areas characterized as lagging behind and cooperation between the partner countries. The allocation of resources directed to a set of measures relating to basic infrastructure, rural development, quality of Life, environment and human resources[6]. Meantime, Program "INTERREG II Greece – Italy" allowed for eligible counties of Western Greece and Southern Italy to continue cooperation from programming period 1990-1993. Having a previous experience already established though the "Cable Connection" program (REGEN-Interreg II-B), the two countries cooperated to implement projects on transport and communications, support productive activities, environment, tourism and culture to the eligible areas.

Despite significant geographic distance constraints, the Program managed to launch a basic cooperation between authorities to address the delayed development of the region and its upgrade from a border area to a single integrated market. The Program "Greece – Italy" was a first test in the direction of the networking between partner countries, as it involved universities, administrations and research institutions, apart from eligible regions. Finally, as regards ARCHIMED, the Program was launched in 1997 as a model pilot of Article 10 of the Regulation on the European Regional Development Fund (ERDF), including Greece (all country) and Italy (Basilicata, Calabria, Apulia, Sicily). Its overarching was to prepare the way for the establishment of transnational cooperation focused on developing a shared vision and strategy for problems associated with the spatial development of the region and the creation of organized planning frameworks in the region of Eastern Mediterranean.

All four abovementioned Programs aimed, at least at programmatic level, at the submission of joint proposals on policy issues, which had been divergent for years among partner countries. The launch of these initiatives created itself an added value, establishing a basis for common under-

6. Particularly for the OP Greece-Albania, an additional priority was addressed, i.e the lifting of geographical isolation of neighboring border regions. Program resources were allocated to the improvement of roads and infrastructure in the input-output ports, in order to highlight the region in the European transport node networks would attract significant investments for the region.

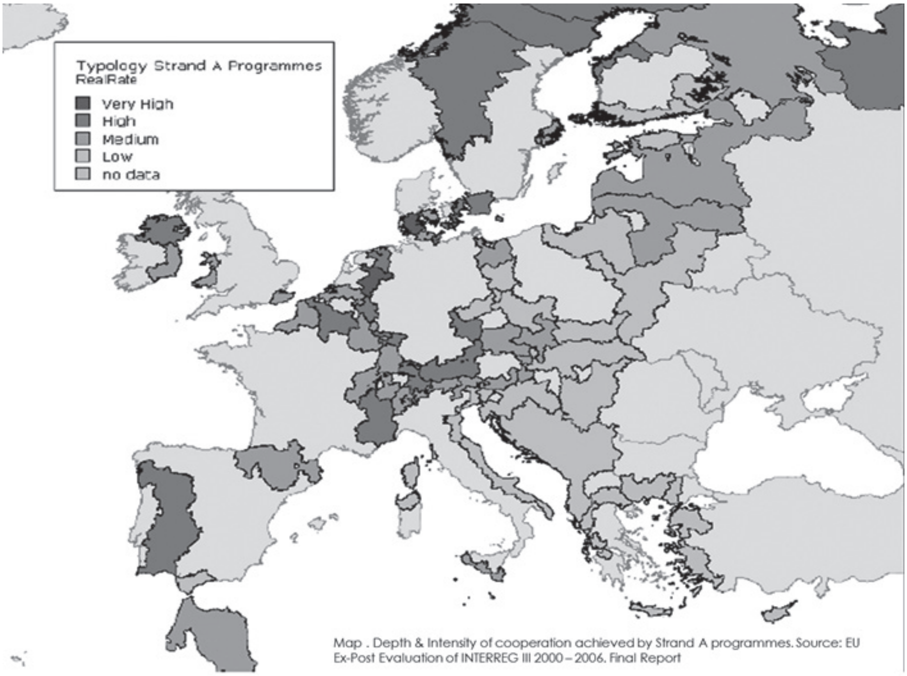
standing of the cross border state of play, the mechanisms and institutional paths through which projects could be implemented in the respective areas. However, there were certain institutional and administrative aspects affecting partners' performance. Highly heterogeneous administrative mechanisms, or the presence of strict administrative hierarchies on one or more participating partners increased the complexity in decision making, frequently causing significant delays. Spatial dispersion of the authorities involved in the working groups as well as the large geographical distances, made imperative the development and use of modern communication tools (working web-sites, intra-nets, video conferencing, etc.), unprecedented in many cases for some or all partners, including Greece.

As far as **Strategic co-operation at the level of the entire programmes** is concerned, a scarce joint decision-making is recorded in all four Programs . Central state authorities ensured all primary programme management functions, with no major direct involvement of regional or local authorities to be observed and focused intervention strategies was in all programmes at a medium level. Moreover, a lack of experience or previous cooperation was identified as one of the main obstacle the Program Action Plan had to overcome, leading to multiple meetings on the conception and development of common and detailed project specifications.

In some cases, action plans required regulations related to overburden national programs, and in others action plans were surmounted bypassing or amending certain parts of the original action plan in the works (for example by transferring expenditure in the budget of a single partner, when the administrative regulations of the organization concerned did not allow such costs, and restoring funding to some other expenditure data). Official evaluations quite indicate that, contrary to the rest of Europe, no assessment of the co-operation performance could be undertaken for the four investigated programmes, as there was no responsiveness by certain programme authorities (i.e. Strand A: Greece-Albania, Greece-FYROM, Greece-Bulgaria, Greece-Cyprus, Greece-Italy, Greece- Turkey; Strand-B: Archimed) who did not provide project-level baseline data.

Few considerable achievements as regards strategic cooperation, are recorded in only in Archimed, where efforts to transfer and disseminate know-how and integrate spatial planning in the participating countries took place. This included the creation of common guidelines and plans i.e.: (a) common spatial planning methodology concerning the environment. Application to the revision of the spatial plans for the Regions of Southern

Fig 2 *Typology Strand A Programmes. Source INTERREG II ex post evaluation Report*



Italy. Creation of a GIS for the Ionian coastal areas; Shared documentation methodology on GIS (b) transfer of know-how from the Italian Instituto del Restauro to the Greek Ministry of Culture on the use of a Geographic Information System (GIS) for managing risk factors implementation.

As regards **Project level co-operation**, again centralized management arrangements are met in all four analyzed Programs (e.g. ARCHIMED Program: the Greek Ministry of National Economy also functioned as Managing Authority, Paying Authority, Joint Technical Secretariat) and no recorded specific outputs/results of projects could be extracted regarding deepening of co-operation between citizens, businesses and institutions in the cross-border area. However, significant relationships and interlinkages were created between the partner countries, both at the level of National Authorities and at the level of transnational working groups -the latter being proved in many cases of decisive importance for the implementation of projects. The establishment of transnational working groups, apart from a novelty to the cooperating administrative systems, was a crucial point to the implementation of the projects.

Again, ARCHIMED managed to establish a cooperation laboratory; the periodic meetings of working groups, either within transnational monitoring committees or separately, proved to be a key tool for overcoming institutional constraints. This established an institutional dialogue which succeeded in creating common guidelines and plans, particularly in the field of transport and knowledge diffusion.[7]

Table 5 *Transnational Working Groups-ARCHIMED Programme. Own processing*

Transnational Working Groups -ARCHIMED		
	Greece	Italy
Authorities	Region of Crete	Regione Basilicata – Dipartimento delle politiche ambientali
		Regione Calabria – Presidenza della Giunta – Ufficio politiche internazionali
		Regione Puglia – Assessorato programmazione
		Regione Sicilia – Assessorato Agricoltura e Foreste – Direzione Foreste
	Ministry of Environment, Planning and Public Constructions	Regione Basilicata – Dipartimento Ambiente e Territorio
		Regione Calabria – Ufficio Cooperazione Internazionale
		Regione Puglia – Assessorato Programmazione
		Regiome Sicilia – Ufficio Rapporti Extraregionali
	Ministry of Culture,/ Directorate of Byzantine & Post-Byzantine Monuments	Ministero per i Beni Culturali e Ambientali, Istituto Centrale del Restauro
	Ministry of Aegean	Regione Basilicata – Dipartimento Ambiente e Territorio
		Regione Calabria – Ufficio Cooperazione Internazionale
		Regione Puglia – Assessorato Programmazione
		Regiome Sicilia – Ufficio Rapporti Extraregionali

7. These actions resulted in a) developing a common methodology for spatial planning in relation to the environment and the implementation of the revision of spatial plans for the regions of Southern Italy and the creation of a geographic information system for the management of coastal areas in the Ionian Sea b) the transfer of know-how from the Italian Instituto del Restauro to the Greek Ministry of Culture on the use of a geographic information system (GIS) for the management of risk factors, cultural monuments, and the piloting of 40 monuments of fortification architecture in the Dodecanese, similarly and further enrich the already existing GIS in Basilicata regions, Calabria, Puglia and Sicily, c) the development of the common monuments documentation methodology and management through a geographic information system and its application to 83 monuments of fortification architecture of the Venetians and the Knights in Greece and 26 others in Italy, d) the development of a standard "network" thematic tourism with twelve destinations (six ports in the four Italian regions and six in the southern Aegean) and pilot routes and, finally, the creation of a system for organizing and viewing the tourism product (web-site, production of thematic products, information, etc.).

Table 6 *Depth of Cooperation criteria. INTERREG II. Own processing*

Deepening of Cooperation	Greece-Italy INTERREG IIA	Greece-Bulgaria INTERREG IIA	Greece-Albania INTERREG IIA	ARCHIMED
Stategies				
Joint Stategic approach	M	L	L	L
Knowledge bases and formulation of joint policy proposals and recommendations	L	L	L	L
Substantial re-programming during implementation, i.e. shifts in financial allocations between priorities and measures.	M	H	H	H
Capacity Building				
Joint Management Structures (Genuine & permanent joint technical secretariats) incl. Monitoring & Steering Committees	H	M	M	M
Joint programme secretariat placed in a single location within the eligible area and operated by a permanent cross-border structure	H	H	H	H
Integrated financial management systems	M	L	L	L
Institutional homogenity between partners	M	L	L	L
Compatibility between the regulatory regime of counterpart partners.	M	L	L	L
Administrative capacity (in programme secretariats and managing authorities)	L	L	L	L
Programme managers & Pro-active support to potential beneficiaries and project promoters	L	L	L	L
Polycentric coordination between different layers of decision making in the EU	L	L	L	L
Coordination	M	L	L	L
Creation of knowledge bases	L	L	L	L
Establishment of a transnational planning culture	M	M	M	M
Joint policy proposals	L	L	L	L
Intensification of cross-sectoral approaches	L	L	L	L
Exchange of good practice	M	L	L	L
Recourses				
Time management	M	L	L	L
Staffing	L	L	L	L
Interlinkage between tasks of transnational coordination of projects and of resources for the programme secretariats,	L	L	L	L
Cooperation Networks				
Network comprising individuals from each of the relevant national authorities.	H	L	L	L
Working teams	H	M	M	M
Regional and local partners	M	L	L	L
Other Stakeholdes	M	L	L	L
Scope				
Broadening cross-border cooperation to cover new fields of activity (e.g. culture & media, training/education) and initiating significant dynamics in institution and network building.	M	L	L	L
Projects				
Involvement of the national and regional planning authorities in the elaboration and implementation of projects.	M	M	M	M
Projects carried out by partnerships composed of local or sub-regional authorities	M	L	L	L
Results / Valorisation				
Systematic exploitation of project results, joint policy recommendations etc	L	L	L	L
Further and longer-term impacts, eg through the use of methods developed and influence and transfer of know-how on national policies,	M	L	L	L
Exchanges of inter-regional cooperation beyond the mere exchange of experience (eg as to whether networks can generate genuinely new "products" and regional development related outcomes).	L	L	L	L
H = High M = Medium L = Low				

Institutional and administrative capacity from Greece's involvement in TC

The learning procedures established in the Greek administrative system through the country's participation in TC were investigated though a qualitative survey. The survey was held in three phases; 2008, 2013 and 2017 and respective questionnaires were structured in order to allow for quantitative, parameterized and comparative processing and analysis of the empirical results. The sample profile included representatives from i) European Commission's Directorate-General for Regional Policy, Unit E1: "Transnational and Interregional Cooperation Unit" and Unit E2: "Cross-border cooperation unit: Managing cross-border cooperation programs", ii) AEBR (Union of European Border Regions), CRPM (Conference of Peripheral Maritime Regions), iii) Managing Authority Operational Program "European Territorial Cooperation", iv) 13 Greek Regions, v) Independent experts.

Learning processes were investigated "horizontally" across a set of criteria and analysis unfolds at the following three levels:

"Individual learning", which examines individual apprenticeship of administrators involved in TC programs,

"Intra-organizational learning", i.e. broadcasting experience within the broader institution/organization of TC participants

"Inter-organizational learning" at regional, national and transnational levels, i.e. dissemination of experience and knowledge collected through participation in TC program, over and beyond the boundaries of the participating organization.

In the first level, "individual learning", participation in TC programs was reported as an overall positive experience. As recorded, the experience acquired broadened the participant's field of knowledge mainly in the field of implementation procedures of European programs and territorial aspects, followed by a domestic boost in vocational training and seminars related to the subject. A medium familiarization with other (foreign) administrative systems was reported whereas on the other hand, participation in TC does not seem to be linked to further opportunities and prospects for career development in domestic administrative structures. The total number of respondents would participate again in actions related to the implementation of territorial cooperation.

On the second level, "inter-organizational learning", i.e., cooperation experiences and their use in wider organizations of partners, seemed appropriate to capture shifts in adequacy of existing know-how for the participation of the actors in cross-border, transnational and interregional cooperation. At this level, the survey investigated the possible improvement of the participating organizations in relation to specific organizational factors as a result of their involvement in TC programs. To a large extent, a belief of improvement for organization performance after participating in territorial co-operation actions was established among the participants, who stressed an overall effect on organization's extroversion.

From this scope, enhancement of networking with European institutions and networks, other regions and public bodies at all levels was a critical finding, along with familiarization of domestic public services with best practices of other administrative systems. On the other hand, a rather modest impact on the capabilities & skills of coordination/management of units and the reorganization of internal administrative structures was identified. A moderate impact on communication strategies and dissemination of information was also recorded. Moderate to high impact criteria for intra-organisation learning in the Greek case included: (a) Changes in the evaluation process of the projects proposals, (b) Cooperation with the social & economic partners, (c) administrative support for project proposals, (d) innovative nature of project proposals. Regarding the effectiveness of the evaluation process of proposals for territorial cooperation projects additional assessment of individual key factors for the effectiveness of the implementation procedures of TC programs was necessary. It emerged from the questionnaires, that cooperation with the social and economic partners, in terms of administrative support and the innovative nature of project proposals, were moderate to large effect criteria.

Investigating whether operators had to recourse to external technical assistance and to whom, the survey found a relatively small trend; in such cases, the know-how providers mainly included central Greek Public Administration Services, INTERREG MA, public authorities of the partnering countries, European Institutions andPan-European Networks, Academic / Research Institutions, European University / research Institutes, external consultants / designers and private knowledge providers.

At the third level of analysis, "Intra- organisational learning", the survey investigated the production and knowledge transfer processes in the "transnational" context, networking and cooperation at international level. Findings included an increase in networking with partners from other countries to exchange experiences, best practices and know-how. That seems to be well associated with a trend for a respective increase of permanent membership in European networks related to territorial cooperation mainly; the Assembly of European Regions (AER), Association of European Border Regions (AEBR), Council of European Municipalities &Regions (CCRE), Council of Europe - Congress of Regional &Local Authorities, Eurocities, Conference of Peripheral Maritime Regions of Europe (CPMR).

In these networks, the respondent regions upgraded their presence by receiving an annual subscription membership and attending more than one meeting per year. However, participation in TC network proceedings, differentiates according to (a) the nature of the Greek region (border or central), the type of participation (systematic or not); with the exception of the Regions of Central Macedonia, Region of Eastern Macedonia and Thrace, and Epirus, the Greek regions present a rather modest commitment to networks's regular proceedings. Moreover, a high level institutional & administrative interaction was identified between central management authorities in Greece and administrative entities. In other countries. At the same time, low to moderate level institutional & administrative interaction appears between central Greek government bodies and local authorities (exemption: regions involved in EGTC)

Discussion

Greece occupies a geostrategic position at the southeastern area of the enlarged EU, particularly the Balkan Peninsula where the process of European integration and the establishment of a maritime crossroad in the Eastern Mediterranean is still under way. The launch of TC actions signified an opportunity for the establishment of collaboration in the area, not only to confront regional inequalities and boost regional development, but also to lift the area's economic isolation from the major European economies. In this view, Greece had the opportunity to establish a strengthened political and financial role as a "bridge" of economic cooperation between EU, Eastern Europe & Black Sea, through optimum use of existing TC framework and mechanisms.

The country participated in TC actions early on already facing major regional disparities and lacking an administrative architecture that could allow for regions to act as institutional interlocutors. Hence, participation in TC programmes was centrally coordinated and highly based on political consensus. Nonetheless, Greece introduced itself as one of the four EU members states mostly affected by the implementation of Cohesion Policy programs (major recipients) for the period 1989-1993, along with Spain, Ireland and Portugal (CEC, 1993:39) and also as one of the TC pioneers, launching cross border projects targeted not only to EU's internal borders (Member States), but also to EU external borders as well (third countries) from the very outset.

This development conceals, however, an antinomy; territorial cooperation projects, at least as applied in central Europe, signified an increasing role for subnational entities. Also, it suggested that territories can act as institutional actors per se, not to mention the idea that territorial cooperation transformed traditional state sovereignty conceptions, therefore putting questions on state sovereignty over border management efficiency. Therefore, Greece's early participation in cross-border schemes was on one hand an institutional step forward. On the other hand, Greek territorial entities were not empowered to make their own cooperative arrangements over a broad transnational policy spectrum.

Within this framework, the implementation of a considerable number of TC projects posed significant challenges for the Greek administrative system. Firstly, the introduction of the "territorial capital" and regional integration rationales meant that the country had to change its policies style and priorities in order to adjust to TC, meaning; exploit the untapped growth potential in border areas[8] to tackle common challenges identified jointly in the border regions. Secondly, the partnership principle as reflected in TC framework meant that administrative networking was an imperative for Greek authorities in order to achieve projects design and implementation.

Of course, TC programs did not always emphasize the cross-border / transnational / interregional character of the initiative. Instead, several projects under Interreg Initiative, were implemented in a fragmented way, merely because of the absence of other available resources. However, a paradox closely linked to the center –periphery dialectic is observed. As applied in the Greek case, the more remote a region the more spatially focused the projects; regions of northern Greece, seem to have involved in a much more coordinated way, especially in cross-border programs from the early years.

Moreover, administrative networking and governance dynamics that emerged through TC in the Greek case seem neither unified nor crystallized or consolidated. Factors such as the degree of institutionalization of TC structures, the legal tools, the nature of the network and operational levels formed, seem to have decisively affected governance, promoting less dense and softer forms of cooperation, thus softer institutionalization. That is to say, no permanent cooperation schemes, new spatial arrangements, or cross-border services between adjacent areas, have been established. This was further forged by the fact that the emergence of Greek Regions did not coincide with the developments in the rest of Europe, affecting their role, at least in terms of operational readiness and responsiveness. The gradual transition to a new institutional environment for regions and the allocation of new competences to local and regional government for the design and implementation of development projects was accompanied with a longstanding adjustment period for both regions and partners, let alone

8. i.e. development of cross border research and innovation facilities and clusters, cross-border labor market, cooperation among education providers including universities, e.t.c.

the existence of multiple and geographically remote management systems, hampered this endeavor for most of partners.

At the project level, new management processes were introduced through the participation of the country in TC schemes. In this view, operational efficiency was a crucial factor, primarily for policy design and the establishment of a sufficient administrative dialogue between domestic and foreign authorities. However, TC signified an administrative endeavor for national authorities who often encountered deficiencies in administrative structures, personnel and lack of previous expertise. A key challenge for Greek authorities was to overcome the administrative burden of increased TC proposals, performance of multiple controls over small-scale projects and raising awareness of the social and economic partners. Moreover, complexity and changes in the legal framework entailed an abiding adjustment for all participating countries, further hampered by the extensive geographic segmentation of programs and partners, and affecting the launch of strategic projects in each programming area.

Conclusion

The growing role of TC as a cooperative mechanism between different administrative entities in Europe, was the outcome of a major redistribution of power between the center and the periphery in the European area, as well as the rescaling phenomena. EU Member States experienced significant institutional changes and shifts in terms of spatial and administrative reforms, followed by the emergence of new organisational structures seeking to promote TC, such as joint management schemes. These newly established partnerships were forged gradually through an institutionalized dynamic dialogue involving supranational, national and sub-national stakeholders.

Territorial Cooperation actions introduced an unprecedented field of experimentation and innovation at the institutional level and the administrative practice in Greece. The aforementioned analysis demonstrates significant progress has been made towards a model territorial governance. Despite difficulties, a lean governance architecture has been established drawing on existing institutions which have been integrated 'into the texture' of TC coordination model.

However, governance dynamics in the Greek case are neither unified nor, crystallized and consolidated. Factors such as the degree of institutionalization of TC structures, the legal tools, the nature of the network and operational levels formed, seem to affect governance processes, promoting less dense and softer forms of cooperation. That is to say, no permanent co-operation schemes, or cross-border services between adjacent areas, seem to have been established.

Therefore, as far as the first question of the paper is concerned, no new functional units or spatial arrangements were introduced as a new level of public intervention, created to design and implement public policies (e.g. Macro-regions, Euroregions) or acting as alternative administrative level with joint management structures and legal personality. Institutionalization of joint TC structures has been low, at least compared to similar examples in Central Europe or the Baltic region, which confirms that no single model of territorial governance emerge from the implementation of territorial cooperation. Nonetheless, joint management structures were established, yet, these schemes did not evolve into permanent hybrid governance arrangements but rather they were launched to meet the program's provisions and their operation did not exceed the program's life circle.

Instead, a high mobilization of existing structures and levels of administration involved in the creation and implementation of public policies is identified. TC implementation signaled a change in the intensity of cooperation and participation of the Greek authorities, the reassessment of their importance for public policies and the redefinition of vertical and horizontal interrelations among them and between them and foreign authorities, so that the cooperation appropriates to a "network" sphere of action.

Indeed, as to the second question, the TC architecture mobilized actors from all tenets activating organizational and policy learning within the Greek public administration. The strategy-making and the implementation of strategy-related projects can be grasped as a sequence of processes that allow for mutual learning of all participating actors and stakeholders. All authorities were involved in a multilevel decision-making system, which, according to the model of network governance, is developed through a variety of networks across different spatial levels, governance institutions, as well as public and private actors. Within these networks, practices and ad hoc forms of co-operation and coordination were deployed mainly through the creation of transnational interest groups and transnational "communities" of public policies on issues of territorial interest.

The domestic network was not only responsible for design and implementation of TC actions, but also subject to the challenge of "Europeanization". Actors involved established relatively stable relationships, rather than hierarchical ones. These actors engage common interests in the area of territorial co-operation, determined each time by the individual interests of the entity they represent and its territorial competence (e.g. regions), and to this end they exchange their resources.

Regarding the learning and dissemination of knowledge processes, the following denote: Firstly, individual learning was assessed at the level of personal involvement as an added value for the development of skills on EU programs and familiarization with foreign administrative systems. Secondly, "intra-organizational" learning as reflected in administrative authorities participating in TC, implies a lean improvement for organization performance as regards processes, networking and broadcasting of experience within the organisations themselves. Thirdly, there is an ongoing dynamic for "Intra- organisational learning" in the transnational context. Participation in TC is linked to a more extroverted and decisive role for administrative authorities, enhancing their interaction with relevant tenets and their potentials for consulting and participating in the design and development of programs at European and national level.

To this end, the paper's main assumption seems to be verified. Territorial Cooperation established certain coordination mechanisms, activating learning channels and territorial governance practices within different Greek spatial entities overall. During the past thirty years, Greece implemented several TC projects focusing on different geographical levels and adapting to vertical (multilevel) and horizontal (between territories, actors, policies) coordination. Despite difficulties, partnerships with a focus on participatory processes have been established to a greater or lesser extent. Being a specific policy derived from its very purpose - the territory -, TC suggested a new direction for Greek authorities, in which individual administrative entities participate in public policies, strengthening coalitions oriented towards shared goals of territorial interest.

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EU STRUCTURAL FUNDS AND EMPLOYMENT POLICY REFORM IN GREECE: THE GOVERNANCE TRAP OF EFFECTIVENESS

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Introduction – The Odyssey of Structural Funds in Greece, still Searching for a New Policy Paradigm?

If we had to bring on the big screen the story of the European Structural Funds in Greece, it would be an epic production, ending as a black comedy. The epic element of the over 140 billion of euros allocated to the European Structural Programs in Greece since 1985 and the black comedy, buzzing a horror movie, of the impact that all these money finally had on the national economy, the employment and the reform of public administration. An odyssey of the reform of the Greek state, starting back in 1985 and the Mediterranean integrated programs, reaches up to 2020 and the aftermath of a long-standing period of financial austerity and economic depression in European Union and Greece.

During this program period from 2014 to 2020, 25.5 billion euros have been committed to provide from the European Structural funds to Greece, in order to restore economic growth but with a very low level of absorption, with an average level of 35.2%, the year that the programs supposed to be completed(2020), according to the initial planning of 2014 – 2015 (EU 2019, IMF 2019, Ministry of Labor 2019). The odyssey of European structural funds which on its way to the promotion of economic development, passing through the labyrinth of Brussels' bureaucracy, must deal with the

Lerner Hydra of Greek state' centralism, ineffectiveness, corruption and clientelism. A series of distinctive and exceptional factors of the Greek political and administrative system, undermine the exploitation and effectiveness of the European structural funds. A difficult equation towards the reform of the Greek state and the Greek economy, but necessary than ever, in the wake of the economic crisis and the substantial collapse of the national economy and the social cohesion in Greece (Lavdas eds 2015, Robotis & Feronas 2016, Kalyvas eds 2013).

Focusing on the current 2014-2020 program period and in particular 2020, the year that the 7 Sectoral and 13 Regional Operational Programs of the European Structural Funds should have been completed, its more than obvious the reproduction of the distinctive problems of strategic planning and coordination of the Greek public administration, on the utilization of the European Union's structural funds resources. The strategic planning of the of European Structural Funds' operational programs, which does not follow a common and coherent national strategy, but their design and implementation was based on a general policy orientation, often vague and in most cases characterized from the lack of a clear targeting, reflecting the political views and the policy ides of the current political leadership.

The lack of a coherent strategy to leverage European funding, focuses on the typical compliance with the administrative and financial management objectives of programs' implementation, rather than promoting their real impact of the society, the economy and the public administration (IMF 2018, 2019, EU 2019, ECA 2017). An absorption trap, which has largely led to the limited effectiveness and impact of European Union programs, as their policy orientation and audit by the European Union, focuses on these issues of management compliance, financial spending and absorption, and not on the real impact and the effectiveness of the provided funding (Liargovas eds 2015).

The distinctive features of the Greek administrative system undermine the effectiveness of the European Structural funds, causing multiple obstacles and deficits in their design, implementation and evaluation (Karkatsoulis 2019, Sotiropoulos & Spanou 2011, Spanou 2016, Plimakis 2019). As a matter of this, European Structural Funds formulation and specialization is not often based on the analysis of valid and evidence-based resources, but on questionable financial data and with a goal to satisfy the personal interests of specific social and economic groups. Policy design pitfalls, exacerbated by the highly complicated and time-consuming regulations of European structural funds' management and the limited use and compliance of funds' national management authorities and stakeholders with the institutionalized public consultation and participatory planning tools of EU funds, causing the limited integration of beneficiaries, citizens, business and stakeholders, needs on the enforced policies and actions (ECA 2017).

At the implementation level, significant problems arise from the lack of effective coordination of more than 480 national and local stakeholders, involved in the implementation of European Structural funds policies and actions in Greece, most of them characterized from limited operational capacity. Coordination problems and organization deficits lead to the limited absorption of the available European funds and their failure to achieve their strategic policy goals and outcomes, as the creation of new jobs in the market and the digital transformation of entrepreneurship and public administration in Greece.

The implementation of the European Structural Funds, which is not evaluated according to their real impact and results on the economy, society and public administration, but according to the easy to achieve and political attractive goals of funds' absorption and expenditures. Problematic also is appeared to be the utilization of the new governance tools, established under the European Structural Funds regulations', in order to support EU policy's effectiveness, through the promotion of decentralization, collaboration and public participation (Liargovas eds 2015, Sklias eds 2014, ECA 2017, EU 2019). New governance tools such as the integrated spatial planning, the urban regeneration partnerships, the inter-municipal cooperation, the local strategic partnerships, the public-private partnerships and the policy networks, innovative policy tools, that their use and effectiveness limited by the survival of the centralization, the appearance of increased bureaucratic obstacles and their limited adoption from policy's stakeholders, due to the lack of culture of innovation in public sector, with the exception of the waste management policy (Spanou 2016, Plimakis 2019, Featherstone eds 2010).

These negative effects on the implementation of European structural funds, causing from the reproduction of the structural problems of Greek public administration are further exacerbated by the presence of a highly bureaucratic and dysfunctional management model of the European structural funds (Liargovas eds 2015, Sklias eds 2014, Ministry of Labor 2016, ECA 2017). A management model, that has in recent years received strong criticism at European level as it is considered to maintain and reproduce the inefficiencies of European Union funding, by focusing almost solidly on managerial and typical compliance issues of the EU funds, leaving outside the evaluation arena the crucial issues of resources efficiency and effectiveness and their real impact on the promotion of EU members' economic, social and administrative reform (Liargovas eds 2015, ECA 2017, 2019, PES 2019). A highly bureaucratic system of multiple, duplicate and time-consuming audits and controls, which in the Greek case and due to the limited administrative capacity and specialized skills gap of national administrative system have led to the appearance of excessive delays, often cancellations, of the EU funded projects and initiatives, affecting European structural funds impact and performance.

In the Greek case, significant problems are encountered in most of the 33 categories of services for the management European Structural Programs. Most problems occur in projects' evaluation and approval phase, with usual delays ranging from 3 to 19 months often and in bidding procedures, with the average completion time varying from 3 to 15 months, depending on project's type and size. Similarly, problems arise in the very complexed and bureaucratic system of financial control and payment of the management and implementation authorities, which besides its complexity, its one -sided focuses on financial management and reporting issues, rather than project's efficiency and effectiveness (DIANEOSIS 2016, Liargovas eds 2015, Lavdas eds 2015).

Particularly bureaucratic and time-consuming appear to be the processes regarding the formal co-operation between managing authorities and stakeholders, as well as projects' implementation. Ineffective are appeared to be also and the monitoring and evaluation processes of the European Structural funds, during also the phases of projects' design (ex – ante), implementation (on-going) and evaluation (ex – post). An ineffective evaluation model, which in the name of the absorption of the European Structural funds and the typical compliance of the implementation agencies, sacrifices and the critical issues of efficiency and especially effectiveness, wasting more valuable resources in the bottomless barrel of the European structural funds ineffectiveness in Greece.

In this exceptional political and administrative environment for the implementation of the European Structural Funds in Greece, the scope of this book chapter is to present an evidence-based and multi-level analysis of the impact of the European Structural Programs on employment policy in

Greece. Employment policy in Greece, maybe the big patient of EU policy in Greece, trapped under the inherent problems of job creation, the provision of thousands of costly training hours to the unemployed without any specific focus and impact on finding a job and the allocation of millions of euros to non – competitive and unsustainable, subsidized jobs. The national employment policy, as funded by the European Union and implemented by the Greek Public Employment Service, the OAED.

An empirical analysis of the effectiveness of the employment policy in Greece, which took place between the February 2019 and the January 2020, and included an in depth analysis of the official studies and reports on the European structural employment policy in Greece and the OAED for the period 2014-2020, a total of 28 studies and reports, combined with primary research of Structural funds financial and performance data. As a part of the primary research, a qualitative research was carried out in 2019, with a duration of 5 months, included the analysis of the results of 97 semi - structured questionnaires and 24 semi - structured interviews of OAED executives and employment policy stakeholders.

EU Structural Funds and Employment Policy in Greece: The Real Impact Beyond the Ilussion of Absortion

Focusing on the exploitation of the European Structural Funds for employment policy in Greece for the 2014-2020 program period, the total budget of the funded actions amounts to 2.7 billion, allocated between the Ministry of Labor (60%) and the Ministry of Development (10%) and the Regions (30%), of which 1.3 billion were managed by OAED. In March 2020, the absorption level of European Structural Funds for the financing of employment policy ranged between 24-46% at the Regional authorities and 62-65% at the Ministry of Labor and the OAED (Ministry of Labor 2014, 2019). Particularly low rates of absorption of European funding, in the year in which they were supposed to be completed, the year 2020, and apart from the two-year extension provided by the European Commission (N+2 rule). Low levels of EU funds absorption, which are still lower by 12-17%, as they include the legal commitments for the financing and implementation of actions in the rest of 2020 and the 2021 and 2022 years.

By disconnecting the canard link between the absorption rates and the effectiveness of European Funding in employment, as will be analyzed further in the research, it turns out that effectiveness problems are unbearable, at near single-digit rates, judging as ever necessary the necessity for a holistic policy reform. Crucial problems regarding the utilization and the effectiveness of the European Structural funds, compare to national acute unemployment rate of 16.7%, which at younger ages, reach up to 30 - 34% (OAED 2017, 2019, Ministry of Labor 2019).

Effectiveness and social impact problems of employment policy in Greece, causing due to the structural weaknesses of Greek labor market governance model and not due to the lack of funding (Katsikas et al. 2018, Papadakis 2016, ILO 2015). An outdated, bureaucratic and largely ineffective governance model, because of its failure to create new and competitive jobs in the private sector and by focusing on the subsidy of the unemployed and the financing of temporary and subsidized non-sustainable jobs, especially in the public sector (Papadakis 2016, Petmetzidou - Polizoidis 2015, Theoropoulou 2016, Kougias 2016, Plimakis & Karachalios 2019).

During the current program period 2014-2020, over 54 employment promotion programs have been implemented in Greece from OAED and funded by European Structural funds. Their vast majority concerned new job creation programs and public benefit programs, with the second category refer to the subsidization of unemployed work in public agencies. Regarding programs impact on Job creation, it should be noticed that the 65 – 70% of the subsidized new jobs were created in public sector, particularly in municipal authorities and only the 30% of the new jobs was in private sector. Furthermore, only the 12% of the new jobs, concerned the creation of new jobs in the private sector without providing any jobs' subsidies, a very limited percentage, reveals the real sustainability and competitiveness problems of the ineffective passive employment policies in Greece.

The total budget of these employment promotion programs amounted to 2.3 billion Euros, compared to the 2.8 billion Euros initially planned in 2004, provide to 390,000 beneficiaries, compare to the 430,000 beneficiaries mentioned in their initial planning (Ministry of Labor 2017, 2018, OAED 2017, 2018). The 70% - 74% of these subsidized jobs are offered to public sector agencies, where the corresponding European average is below 30%. Subsidized and public sector-oriented jobs, which have a limited duration, from 2 months to 1 year and do not contribute to the creation of new sustainable jobs in the real economy.

As for the allocation of these 2.3 billion to the European Structural Funds 64% of the policy's budget was dedicated to job subsidies, a fact which is in favor of reflecting on the sustainability and competitiveness problems of the jobs created by the European structural funds. It should also be noted that 31% - 37% of employment promotion programs participants' have participated from 2 to 4 times in an OAED program funded by the European Union in the period 2014-2020, another element of policy's' limited effectiveness and its failure to find jobs for job seekers.

In this context, the coverage of available positions, in all the EU funder employment promotion programs, ranged from 22 to 50%, with the average for the programs ranging from 36 to 47%, presenting the real problems of funded programs attractiveness and fit for purpose regarding job – seekers needs. Significantly limited are also and the absorption rates of the 54 employment promotion programs, ranging from 46 – 74% (2020), with an average of 57%, results confirming the urgent necessity for the reform of existing employment policy model in Greece (ILO 2015, Ministry of Labor 2018, 2019, ECA 2017, 2019). Same problems as in the case of EU funds absorption, appear and it the case of employment programs' efficiency. In this area of evaluation, although there is a significant lack of data, the cost per beneficiary in training and coaching services is 14% - 28% higher than the same services provided by private sector training and job finding agencies. Even lower are the results of jobs that still work, after the completion of the programs that finance and subsidize their creation.

In the critical area of creating sustainable, rather than temporarily subsidized, jobs, the effectiveness of the EU structural funds ranges from 7% to 12%, well below the initial policy goals of the programs, which ranged from 38% to 62% and despite using some of these innovative policy tools such as local strategic partnerships and the competitive service provision through vouchers, confirming the structural ineffectiveness problems of employment policy and European Union structural funds implementation in Greece (Ministry of Labor 2014, 2017, 2018, INE - GSEE 2014, 2016, 2017, ELSTAT 2014, 2018, European Commission 2017, ILO 2015, OECD 2017, 2018, Perez - Matsagannis 2017, PES 2014, 2017). New jobs, 34 to 42% of them do not exist after one year from the completion of the programs created them, reflecting the limited impact on the labor market of the provided subsidies and the necessity to combine them with more financial and taxation benefits to the enterprises for job creation. In the policy area of maintaining existing jobs that are at risk through the provision of job subsidies from OAED for a specific period of time, the performance of the employment programs appears to be more effective, with the 44– 59%

of the subsidized jobs be active, after the completion of the programs and for a period of more than one year.

Another important issue regarding the measurement of the performance and the impact of EU structural funds on job creation in Greece, is the methodology used by the official progress and evaluation reports. European structural funds effectiveness is incorrectly evaluated as funds' rate of absorption and by taking into account to this rate and the total budget of the already approved financial commitments for the implementation of projects during the next months and till the closing of the current program period (DIANEOSIS 2016, Robotis & Feronas 2016). Differentiated and valid criteria and indicators for measuring the effectiveness of employment policy, reflected in the gap between official reports on programs' performance, with an average level of effectiveness, which is in reality absorption rate, between 58-67%, against the 8 - 12% effectiveness rate in terms of new jobs creation (Ministry of Labor 2016,2017, 2019, OAED 2018, 2019). A diametrically different approach regarding the effectiveness of European structural funds, which unfortunately and incorrectly incorporates the political element into programs' evaluation, creating a false image of structural funds progress and effectiveness, acting as a deterrent to the required radical reorganization and reform of the national employment policy.

Over the same period, the national employment rate in Greece increased marginally by 0.2%, a result confirms that the implementation of costly, massive and open criteria employment promotion programs does not significantly affect or correlate with the employment rate in the country and does not ultimately lead to new jobs creation. Massive and overcrowded open criteria employment programs, the overwhelming majority of which account for more than 96% of passive employment policies, limited the active employment policies to only 2.5%, when the OECD average is 19% and international experience' good practices, such as Germany, Denmark and Luxembourg are at over 55% (OECD 2016, 2018, EU 2015). Another element of particular importance in assessing the effectiveness of the European Structural Funds for the employment promotion is the fact that almost half of the total budget (47%) allocated during the same period covered subsidized jobs in public sector agencies, opposed to international experience, with the lion's share, over 75%, owned by the private sector and the market (Ministry of Labor 2019, OAED 2019 EL.STAT 2019, INE - GESEE 2019, European Commission 2017, 2019, ILO 2015, OECD 2018, 2019, IMF 2019).

Without measuring the temporary jobs created in public sector through the public benefit programs, new jobs actually created in the economy (excluding some recent programs for which there are no official figures for 2019-2020) from the implementation of EU funded employment promotion programs amount to approximately 36.800, a figure that marginally exceeds 15% of the originally set target and constitutes 0.57% of total recruitments for the whole five-year period (ELSTAT 2018, Ministry of Labor 2019, OAED 2020). In terms of public investment for new job creation, the rate of investment was 0.14 to 0.27, where the good practices between the European Union members, as Germany, Denmark and the Netherlands, the average rate is 0.62-0.77. Overall and in terms of effectiveness, it appears that the EU funded employment promotion programs in Greece have not substantially contributed to the creation of new jobs and the reform of the national labor market (Ministry of Labor 2017, 2019, OAED 2019, ELSTAT 2019, European Commission 2019, ECA 2019).

This long-lasting ineffectiveness of both employment and structural funds policies in Greece, is causing from appearance of several negative factors of the national political and administrative system, factors limiting public policy's performance (ILO 2015, Papadakis 2018, Robotis & Feronas 2016, Katsikas eds, 2018). Structural inefficiencies stemming from the lack of a coherent and job oriented national program for the fighting of the increased unemployment rates and the creation of competitive and sustainable new jobs for job – seekers. A coherent and new jobs creation oriented national policy, designed and specialized with the active participation and the involvement of both public and private sector stakeholders, the local government and enforced according to the spatial and sectoral needs of the economy and in accordance with the real needs of both the enterprises, the unemployed and the job – seekers.

A strategic planning and public consultation deficit, negatively affecting the design of ineffective programs that do not meet the real needs of the labor market and contributing to the creation of new and competitive jobs, but their impact is limited to the subsidization of the unemployed or their work. (Papadakis 2018, Papadakis 2010, Matsaganis 2011, Roboti - Feronas 2016, Katsikas et, 2018, Kougias 2016). In addition, most of these poorly planned employment policies are passive employment policies, providing unemployment benefits and subsidizing the work of the unemployed, a policy orientation that clearly does not contribute activating the jobless and creating sustainable new jobs (Porte - Matsagannis 2017, ILO

2015, Papadakis 2016, ILO 2015, Ministry of Labor 2015, 2019 Katsikas eds, 2018).

At the same time, at the level of planning and implementation of the national employment policies, the pathogens of the Greek public administration are reproduced, where the lack of effective multi-level and horizontal coordination among the involved policy stakeholders, is causing the underutilization and the segmentation of the available financial resources into a multitude of different inconsistent actions and interventions (Makridimitris - Mergos 2012, Makrydemetres - Pravita 2016, Featherstone eds 2010, Karkatsoulis 2018, Karkatsoulis 2019). Furthermore, employment policy's effectiveness in Greece is further downgrading, due to the pure interlinked and harmonization with other policies contributing to employment policy performance, such as digital policy, lifelong learning policy and tax policy, in terms of skills development and tax benefits provision.

The effectiveness of the employment policy in Greece is also the organization and the targeting of the enforced monitoring and evaluation models (Vooren 2019, Mitchell 2010, PES 2019, ECA 2017). An ineffective EU funds' performance evaluation model that, for reasons of both of political cost and resistance to change, is not assessed the real impact of the employment programs, but it just measure funds' absorption and services' outputs, such as the number of beneficiaries per program, the total amount of subsidies provided per program, the number of training hours per beneficiary and program and the number of beneficiaries participating in work experience programs. A political choice of a performance evaluation model, serving the exploitation of the EU funds from the government for political patronage and clientelism reasons and by having as an alibi the abortion pressure and fear, instead of improving the real effectiveness and impact of the provided resources. An ineffective policy and evaluation model, disconnecting policy's goal of creating new jobs from the funding and payment of the involved agencies, public and private and the provision of financial incentives and penalties to them (OECD 2017a, Lavdas-Litsas-Skiadas 2015, Karkatsoulis 2018, Sotiropoulos 2015).

Another important factor causing the ineffectiveness of employment policy in Greece, refers to policy's political exploitation from the government (Papadakis 2018, Katsikas eds 2018, ILO 2015). All the memorandum period governments' have chosen to enforce the national employment policy, through ineffective passive policies, than active employment policies. This has happened, not in the context of a long-term strategy for new jobs creation, but in order to satisfy the demand for provision of public benefits and job subsidies to the beneficiaries and interest groups with a selective and close relations with the government and the ministry of employment, such as the local government agencies, private sector training agencies and specific private enterprises. Political and party interests, which essentially put evidence-based policymaking out of the policy process, thus preserving and sharpening the ineffectiveness of the employment policy (ILO 2015, Katsikas et al. 2018, Papadakis 2016, Lavdas eds, OECD 2018, 2019).

The Impact of EU Regulations on Structural Funds Performance: The Accountability – Effectiveness Nexus

Important coordination problems, also affected the utilization of European structural funds for the promotion of the employment, resulting the limited utilization of the available resources and the emergence of multi – months to multi-year delays in projects start and completion (Papadakis 2016, Kougias 2016, DIANEOSIS 2016, ILO 2015, ECA 2019). Problems in utilizing the funds of the European Structural Programs, divided into two main categories, managerial and policy problems. The first category refers to the planning and management problems of European structural funds, most notably the problems of limited operational capacity and staffing of the competent management authorities and the coordination problems among the management authorities and policy's stakeholders, such as the Ministry of Labor, the OAED, the Ministry of Development, the Regional authorities and the municipalities. Coordination problems and deficits, causing the occurrence of many monthly and yearly yes, delays in programs implementation and the wasting of important amounts of EU funding.

Crucial problems of policy coordination, exacerbated by the presence of particularly highly bureaucratic requirements and management procedures, imposed by the European Union for accountability and transparency issues. Complex and time-consuming procedures for the management of the European Structural funds, focusing on the formal compliance of the beneficiary agencies with the EU's administrative and financial reporting standards, downgrading by the same time the crucial area of policy's implementation speed and efficiency (ECA 2019, DIANEOSIS 2016). Large scale problems, due to the complexity of the administrative compliance procedures of the EU funds, appear also in the bidding procedures of the employment programs, another equal important factor in creating delays and barriers to the effective use of European structural Funds resources. Administrative burdens and accessibility problems also appear regarding the participation of the beneficiaries in programs' actions and services, creating additional obstacles in their effort to find a job (ILO 2015, ECA 2019, Ministry of Labor 2018).

At the policy level, the design and the implementation of European structural funds in the employment sector, is also characterized by the presence of significant failures and problems. Problems in the design and implementation of the EU funded employment policy projects arise from the presence of significant problems of stakeholders limited and pseudo-compliance with the required formal actions and tools for projects' design and planning such as public consultation, stakeholder and market needs assessment and spatial planning, causing the limited incorporation of the unemployed and local enterprises' needs (Plimakis 2019, Karkatsoulis 2019, ECA 2019).

Policy problems, which in the next level of the implementation of the employment promotion actions, distinguished by the fragmentation of available resources among the non-coordinated involved stakeholders, many of them characterized from their limited operational capacity to achieve policy's objectives. Due to these planning and coordination deficiencies, doesn't exist a coherent national plan for the effective utilization of the available EU resources for the funding of the national employment policy. Every key stakeholder of employment policy in Greece, such as the Ministry of Labor, the OAED, the ministry of Development and the 13 Regional Authorities, have their own employment strategy, loosely coordinated and supplementary. Indicatively, there is a lack of effective participation and oversight by the OAED, of the dozens of employment promotion programs enforced by the Regional authorities, the municipalities and the chambers, a coordination gap exacerbates policy's effectiveness problems (ILO 2015, Ministry of Labor 2015).

At the same time and due to these planning and coordination problems, the introduction innovative new governance tools for the implementation of employment policy actions, also appear to face important pitfalls. New governance tools for employment policy implementation, established and promoted in Greece in the framework of European structural funds, such as local and regional employment partnerships, policy networks, inter-municipal partnerships, models for the competitive provision of employment promotion services through services vouchers and public-private partnerships. Innovative new governance tools for the effective provision of employment services, that their performance is blocked due to the existence of strict and highly bureaucratic approval procedures and the lack of a performance incentives systems, for the activation of their stakeholders and partners (Plimakis 2019, Karkatsoulis 2019).

Due to this lack of performance incentives and the lack of a culture of trust and cooperation in the implementation of employment policies, the impact from the introduction of these new governance tools was relatively limited, with an average rate of 4 to 12%, compared to the traditional provision models, referring mainly to efficiency and not effectiveness improvement, only to specific employment policy sectors as training and advisory – guidance services and in a case by base level of analysis according to the real needs of the unemployed and the businesses (ILO 2015, IMF 2019, Agostini 2017, Perez-Matsaganis 2017, Papadakis 2018).

Solving the Gordian Knot of EU Structural Funds Ineffectiveness: Towards a New Governance Model for the Employment Policy

All these inherent limitations and obstacles in the implementation of employment policy and European structural funds policy in Greece, highlight the necessity to immediately reform the existing model of public governance (OECD 2016, 2017, Karkatsoulis 2019, Makridimitris & Pravita 2016, Sotiropoulos 2016, Spanou 2016). The reform of the existing model of governance of the Greek labor market is considered as essential in order to tackle effectively the long-term problem of structural unemployment and enable the country to respond efficaciously to the constant changes and the frequent crises of the national and global economy (ILO 2015, PES 2016, 2019). At institutional level, the enforced reforms should address the problems of regulatory inflation and lack of regulatory codification and recasting, in regulating the national labor market, the weakness of the existing market audit & control mechanisms and the lack of coordination and fragmentation in employment policy implementation (Katsikas et al. 2018, Karkatsoulis 2019, Sotiropoulos & Spanou 2016). A new model of employment policy, based on the implementation of active employment policies, designed and implemented participatory and decentralized,

In this new model of employment policy, the OAED is called upon to take on a steering role, both coordinating and guiding, focusing on the formulation and monitoring of the national employment strategy, while decentralizing the responsibilities for policy implementation at regional and local level. (ILO 2015, Papadakis 2018,, Kougias 2016, Ministry of Labor 2018). Along with the necessary strengthening of OAED role, changes in the organizational structure of the organization are also required. Organizational changes that should focus on the organizational restructuring of the OAED, through the reorganization and simplification of its organizational structure, the strengthening of its policy design and steering competencies and the promotion of the internal decentralization of its provisional competencies to the front-line employees (ILO 2015, Ministry of Labor 2018).

OAED organizational restructuring should be supported by the necessary simplification and de-bureaucratisation of its employment promotion services and the development of new, innovative and digitally provided services for employers, unemployed and job seekers (ILO 2015, Ministry of Labor 2018). Simplifying the provision of the employment services, which is a key priority for the effective planning and financing of employment policies from the European Structural Funds. Without simplifying the existing bureaucratic, costly and time-consuming procedures for the check and approval of employment policy projects for funding from the European Structural Funds, can't ne any substantial improvement in policy's implementation and impact.

A new policy of simplifying and effectively coordinating the complicated, complexed, overlapping and often without any added value, processes of European funds audit and control (ECA 2019, DIANEOSIS 2016). A new simplified strategy for the approval and funding of employment promotion actions from the European Structural Funds, which should be accompanied by a clear link between the approved actions and their interconnection with the creation of new jobs for the unemployed and the job – seekers.

Strengthening the OAED's steering role and simplifying the existing check & approval model of the European Structural Funds, would be the basis for developing a new model of employment policy implementation in Greece, by promoting policy's decentralization at regional and local level and developing partnerships and quasi- markets for the provision of employment services (De La Porte - Heins 2016, PES 2019, European Commission 2019, ECA 2019). In this new policy model, policy's implementation should be enforced through regional and local employment partnerships, which ensure the integration of local business and market needs, as well as the specific needs of regional and local stakeholders and institutions, in the design of the active employment policies. Partnerships for the achievement of specific and specialized goals of the national employment strategy, that according to the level of their accomplishment, will be adjust the payment of their partners, a performance partnership model (Card 2017, Kudo 2012, Mosley 2011).

Therefore, reforming the existing, ineffective policy monitoring and evaluation system is one of the key pillars of the required policy reform (Nun eds 2010, Manoudi eds 2014, OECD 2019, PES 2019, Karkatsoulis 2019). The introduction of a new evaluation model, which will direct link the payment of policy's stakeholders, with the achievement of specific job creation goals and outcomes, giving them the necessary incentives for activation (Escudero 2018, PES 2017, European Commission 2013, 2015, Struyven 2014, Card 2017).

As earlier mentioned, the policy tools for the implementation of employment policy also need an immediate and holistic reform. A policy Reform focusing on the design and implementation of active employment policies (IMF 2019, ILO 2015, Ministry of labor 2018, 2019, ECA 2019). Active employment policies, that their introduction is essential, in order to promote the creation of new jobs in the Greek economy and on the contrary to the subsidized unemployment and short – term employment that characterizes the majority of the existing passive employment policies (Papadakis 2016, 2018, IMF 2017, ECA 2019, EU 2019). The development of active employment policies, promoted through the implementation of integrated open-ended programs and anti-unemployment interventions, that they do not act as a disincentive to work for the unemployed and the job-seekers, the tightening of unemployment benefits receive conditions, the provision of in-work subsidy benefits and the introduction of a system mutual obligations of OAED and the unemployed, in order to mobilize and activate the unemployed, with the enforcement of clear penalties for the beneficiaries who are not actively seeking for a job (Agostini 2017, Card 2017, European Commission 2015, Kudo 2012, OECD 2017).

A new approach to the total coverage of the unemployed needs, through the provision of integrated services (services silos), that will coordinate and incorporate the currently multiple, overlapping, fragmented and lacking any coordination services provided to the unemployed, from different and non – coordinated public agencies, such as the ministry of Labor, the OAED, the pension funds, the local employment promotion agencies of

OAED, the Regional Authorities, the municipal authorities, social protection agencies and institutions, health agencies and other. Above all these reforms, and in order this new model of employment policy to the activate and enforced and not simply be just another political announcement from the government a new governance culture is needed. A new governance culture, based on the creation of an environment of mutual trust and equal participation among employment policy's stakeholders, beneficiaries and citizens. Trust, which is the basis for the development of trust-based relations and the promotion of innovation in employment policy, in order to achieve the necessary policy transition from the era of the ineffective benefits and the absorption without any result, to the new era of effectiveness and social impact.

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THE GREEK REALITY OF THE ISTITUTIONAL FRAMEWORK AND EU STRUCTURAL FUNDS: INSIGHTS FROM ENTREPRENEURSHIP AND SUSTAINABLE DEVELOPMENT

Nikolaos Apostolopoulos, Panagiotis Liargovas, Sifis Plimakis and Eleni Anastasopoulou

Introduction

In Greece many of the measures taken during the Memorandum period will be completed in the post Memorandum period. Alongside these measures, Greece should have already set up and implemented a comprehensive national development plan based on its potential and comparative advantages. The delay in drawing up this plan and the concerns in international markets offers hope to those who are not nostalgic of the past to seek out the pre-crisis era by ignoring the causes that led Greece down the path of this adventure. In any case, and up to at least the national development plan is drawn up, public debate on Greece's further course is open. Questions about what kind of development Greece needs and how it will proceed remain unanswered. In their study of entrepreneurship and sustainable development, Shepherd and Patzelt (2011) set the key questions focusing on the understanding of what needs to be maintained, what needs to be developed and how entrepreneurial activity can be utilized. These are the same questions that must be answered for the sustainable recovery of the Greek economy.

The chapter "Entrepreneurship and Sustainable Development in Greek Reality: Failures, Challenges and Perspectives" describes and illustrates how the combination of entrepreneurship and sustainable development can bring a different kind of growth while at the same time tackling problems and proposing solutions. The focus is on three axes, the first of which is the axis of the development of social entrepreneurship to strengthen more collective efforts and to deal with the inequalities caused by the social crisis. The second axis is that of the exploitation of renewable sources and the incorporation of green strategies by Greek businesses. The third axis is the significance of support for the above two points from the Structural Funds, as recent research indicates that there is a need for better and more efficient use of resources towards sustainable development.

Moving towards sustainable development at the core (Shepherd and Patzelt, 2011), entrepreneurship can be a key driver of economic growth, poverty alleviation and other forms of social value (Kaijage et al., 2013). This is particularly relevant in the case of Greece, where entrepreneurial activity retreated due to the economic crisis thus increasing social inequalities, exacerbating unemployment, poverty and social exclusion. At the same time, the decisive impact of the institutional framework that affects entrepreneurial activity and hence socio-economic development (Urbano et al., 2018) must also be emphasized. We cannot ignore that the Greek crisis was primarily an institutional crisis.

The inefficiency of the institutions had led to a financial impasse. For this reason, it is important to cultivate entrepreneurship with values that serve social goals. Many businesses, although operating in an unfriendly institutional environment, make sustainable development a key priority and contribute toward it (Liargovas et al., 2017). Reinforcing the institutional framework through regional and local initiatives is crucial for sustainable development (Apostolopoulos and Liargovas, 2018) as well as leveraging the regional funding tools offered through the Structural Funds (Liargovas and Apostolopoulos, 2015; Liargovas and Apostolopoulos,2016). Undoubtedly, as contemporary literature emphasizes (Apostolopoulos et al., 2018a, 2018b; Moon, 2018; Littlewood and Diane, 2018) entrepreneurship can be a motivating factor in transforming economic growth based on the principles of sustainable development.

Development of Social Enterpreneurship

The development of social entrepreneurship in Greece in many cases has been characterized by severe failures. The recent development and function of the institutional framework has not cured the weaknesses of the past, as there is still a repetition of state-dependent entrepreneurship that is incompatible with other social enterprises in Europe. Social enterprises can have a substantial input towards sustainable development through their economic, social and environmental impact (Rahdari et al., 2016), despite the obstacles they face due to inadequate institutional frameworks (Apostolopoulos et al., 2018b). According to the international literature, the commitment of social enterprises to social goals can contribute to the more efficient exploitation of limited resources and their functioning within institutional constraints (Desa, 2012).

The creation of social entrepreneurship in Greece lagged behind other European countries. Therefore, the pressure of the European Union for an institutional framework of operation, hindered its healthy development and it did not meet social objectives to the desired extent. Nevertheless, opportunities and perspectives exist and could constitute growth leverage in a sustained recovery effort. This presupposes the necessary corrective measures to redirect social entrepreneurship. Even in the major issue of the refugee crisis, researches show that the social capital of the refugees plays an important role in their enterprise commitment (Bizri, 2017).

As mentioned above, the institutional framework of the Greek social economy developed through the severe economic decline and crisis in 2011 under Law 4019. Since then and to date approximately 1,100 enterprises have been listed in the General Register of Social and Solidarity Entities. Until the Greek parliament enactment of this law, the institutional and regulatory framework for the social economy was focused on rural cooperatives (Nasioulas, 2012). Rural cooperatives were considered as a beneficial organizational response to a prolonged crisis in the agricultural sector facing commercial activity, providing economies of scale and power in corporate bargaining (Anthopoulou et al., 2017). However, the identification of social enterprises with rural cooperatives has made it impossible for society to understand the new context. Contrary to what is happening in a big part of Europe (Defourny and Nyssens, 2008), a framework of cooperation was not used in Greece as the basis for the development of the social economy. At the end of 2017 the registry listed approximately 1,148 social enterprises. The two main metropolitan areas of Greece, Athens and Thessaloniki, had attracted 425 and 131 social enterprises respectively, while the remaining 592 social enterprises developed in the region.

The new institutional and regulatory framework was mainly based on co-financed initiatives by the European Union. These initiatives were mainly regional and local in an effort to spread social enterprises across the territory. Initiatives such as "Operation of Regional Support Mechanisms to increase and promote the Social Cooperative Enterprises and wider Social Economy Initiatives" were designed to contribute to the creation of support structures for the operation and development of social enterprises. At the same time they aimed at promoting the idea of social economy through permanent networks of cooperation with local operators. The goal of the Greek government in 2014 was to create more than 2,000 social enterprises while creating more than 12,000 jobs. In addition, through regional support mechanisms for social enterprises, it was intended to provide one-stop shops for both social enterprises and social entrepreneurs.

Furthermore, regional support mechanisms for social enterprises were also intended to provide an information hub for social economy and social entrepreneurship (Ministry of Labour and Social Affairs, 2014). Today, the final result of these initiatives is significantly below its ambitious target, as it was set by the Greek government. In addition, the initiatives for the 'community resilience' have been criticized in various studies as the welfare state has receded because of the crisis and social problems have intensified (Anthopoulou et al., 2017).

Within the prism of 'resilience', the research of Apostolopoulos et al., (2018b) identifies the growth of social enterprises for a deeper understanding of how they will contribute to local development and serve social goals. The research was based on Martin's (2012) theoretical framework, examining the type of 'resilience' in the development of social entrepreneurship through an engineering approach, an ecological approach, and an evolutionary approach.

The first approach included the simple correction of the situation and the bounce back to the previous situation following the turmoil caused by the crisis, the second approach included a new equilibrium point that may be better or worse. The third approach included the evolution to something better in order to avoid returning to the pre-crisis state of affairs which probably gave birth to the crisis. Davoudi and Porter (2012: 332) aptly pose the question: "Why would we want to return to 'normal' when what has been smoothed out (over inflated housing markets, lending practices, gross inequalities in wealth) is so totally dysfunctional?"

Within this context, the primary research of Apostolopoulos et al. (2018b) identifies that the effort to develop social entrepreneurship and its contribution to development and in particular to local development has been made in order to rapidly smooth out social problems by serving social goals through social enterprises, without an evolutionary approach. In an attempt to typify social enterprises they could be separated into state-dependent social enterprises through various programs and into independent social enterprises by the state and its funding. It is of great interest that the primary research demonstrates that independent social enterprises which do not expect government funding or contracts with local authorities contribute more to social goals and entrepreneurs are more committed to the socially orientated objectives of their businesses.

These social enterprises can decisively contribute to the sustainable recovery of the Greek economy. The main motivation for starting these enterprises was the over-inflated unemployment, social problems and inequalities. Social entrepreneurs within a collaborative context can contribute to their local communities and the Greek economy. There is, of course, a large number of social enterprises that are underperforming which are constantly seeking some kind of government funding or contracts with the wider public sector. These enterprises and their mode of operation have an adverse effect on sustainable development.

Instances of opacity during collaboration mainly with local authorities, create a climate of social suspicion as reflected in research. This occurred at a time when social goals should have been served in a healthy way as an incentive to integrate other prospective businesses into the social economy. In spite of the institutional framework created by Law 4019/2011, research demonstrates that the public sector and other stakeholders were not adequately prepared to serve the specificity of social enterprises. This is also highlighted in a European Commission (2014) survey: "However, even if the legislation is in force, there are still significant administrative barriers, that limit the functioning and development of social enterprises. In particular, administrative and financial authorities (including social security authorities, tax authorities, banks) are not well informed about the legal forms of social enterprises. This creates misinformation and delays on a daily basis and impedes the functioning of social enterprises."

Exploiting Structural Funds with a more regional and local dimension that would strengthen social enterprise networks and inform the public about social enterprises and opportunities in this sector would be a significant contribution to the growth of social entrepreneurship (Apostolopoulos et al., 2018b; European Commission, 2014).

In addition, the level of implementation of the Ministry of Labour and Social Affairs's program 'Strategic Plan of Action' included actions such as: a) encouraging and activating society to engage its citizens with social entrepreneurship; b) creating a modern social economy functioning framework through legal and tax interventions; and c) support for social enterprises to access public markets (Ministry of Labour Social Affairs, 2014) was below the goal set by the government. Undoubtedly, the sector of social economy and entrepreneurship could be more decisive for the sustainable recovery of the Greek economy if the steps taken were bolder, more intense, and more substantial on the part of the Greek state.

Development of Green Entrepreneurship and Strategies

Undoubtedly, Greece must take advantage of its rare natural wealth and implement strategies that will contribute to the development of an integrated green economy, on the road to sustainable recovery. It is important that Greek products and in particular those intended for export are of high quality as well as environmentally friendly so that they can be exported at high prices especially to the markets of Northern Europe and America. In post-Memorandum Greece, the circular economy can help decisively in the productive reconstruction and give the required sustainable dimension to the country's productive model, especially if it is combined with energy efficiency and tackles climate change. Investments in the circular economy, in Greece as well, have the advantage of low raw material costs and are compatible with the social economy and at the same time create economic, environmental and social benefits.

According to the Greek Ministry of Environment and Energy, the following are critical points for the period after 2018. The first point is the mapping of the region and the goals of the circular economy, followed by the co-signing with productive bodies and the self-government protocol for a circular economy, and finally the enhancing actions in Local Waste Management Plans and finally the utilization of financing tools (Ministry of Environment and Energy, 2018). Of particular interest is the Eurobarometer entitled "European Media and the Circular Economy"

(European Commission, 2016) as it reflects Greece's implementation compared to the EU average.

It is noted that Greek enterprises invested in the benefits of the circular economy above the European average. The 54% of Greek enterprises invested 1%-5% of their turnover contributing to the circular economy, while the corresponding proportion of European enterprises with similar investments was 46%. The fact that 32% of European companies did not make any green investments compared to 23% of Greek ones is even more striking, paving the way for truly sustainable development. This is even more important considering that the European Commission (2012) emphasizes the importance of creating green positions of work for small and medium-sized enterprises compared to large-sized enterprises as the former are the backbone of the Greek economy.

The European Commission (2012) also pointed out long before 2012 that 1 in 8 media workers had "green" jobs, while in large enterprises the proportion was 1 in 33. It is important that since then, green jobs have been better paid and covered high-skilled staff. It is no coincidence that in 2011 the European Commission estimated that it was possible to create over three million additional jobs by 2020 which could become over six million by 2050 if the goal of 100% energy from renewable sources was adopted (European Council, 2010). Between 2012 and 2020, the European Commission announced that it would be possible to create twenty million jobs in EU countries in the wider sector of "green economy" if all the objectives of the "Europe 2020" Strategy were met (European Commission, 2012). Two years before 2020, it was apparent that the European Commission's goals on the creation of green jobs positions would be far beyond the above estimates.

At the same time it is crucial that media adopt and incorporate green strategies as the 60-70% of the environmental burden comes from them (Hoogendoorn et al., 2015). A study conducted by Liargova et al. (2017) in over a hundred media in Greece, trying to identify the parameters that assist or inhibit the integration of green strategies, produced the following findings. The media attempt to integrate green strategies to improve the quality of their products and reduce their operating costs. However, as discussed above with social enterprises, the institutional framework is not supportive and information on utilizing financial tools for green upgrades is inadequate. Resources from the Structural Funds at a regional and local level are not sufficiently utilized in this direction. The encouraging thing is that the media which have managed to tap into European resources have performed better in the green economy. This may be related to the fact that the media believe that the consumer, despite the crisis, is willing to buy green products and certainly requires better quality products that are environmentally friendly.

Another important chapter on the way to sustainable development and recovery of the Greek economy is to boost entrepreneurship in the renewable energy sector, where Greece has a competitive advantage. Greece tried to use its rich wind and solar power for renewable energy to achieve EU goals and develop its economy in a time of recession. Greece is extremely competitive in this sector and with the entrepreneurial initiatives that took place in recent years the share of renewable energy in gross internal energy consumption from 7.8% in 2004 reached 23.8% in 2016 (Eurostat, 2018a) and the share of renewable energy in gross final energy consumption from 6.9% in 2004 reached 15.2% in 2016 (Eurostat, 2018b).

Greece may be lagging behind in many sectors, but it in renewable energy sector is ranked at 33rd place worldwide according to the Renewable Energy Country Attractiveness Index (RECAI), which measures the country's attractiveness in this field (Ernst and Young, 2017). However, the Environmental and Resource Pressure Aggregated Index records that Greece's performance in climate and energy policy strategies is below the European average (García-Alvarez et al., 2016).

It is important that Greece, with substantial support for business initiatives in this sector, can increase its competitiveness (Liargovas and Apostolopoulos, 2016, Liargovas and Apostolopoulos, 2014; Apostolopoulos and Liargovas, 2016). In the case of Greece, returning to the financial mechanisms, the Structural Funds are the only financial mechanism that significantly contributes to increasing the share of renewable energy production and to leading the Greek economy on the path to sustainable development (Liargovas and Apostolopoulos, 2015). Unfortunately, although plenty of mechanisms are being used in the European Union to boost the production and use of renewable energy (Kitzing et al., 2012), in Greece there is a lack of mechanisms and supportive policies.

The proper and effective use of European funding opportunities and the implementation of entrepreneurship policies in this area are crucial for the sustainable recovery of the Greek economy. Creutzig et al. (2014) emphasize that renewable energy sources (RES) could significantly contribute to the growth of the GDP by 0.5% and opportunities in this sector should not be left untapped. A typical example of lost opportunities is the HELIOS project where the Greek government presented its project for the simultaneous production and sale of solar energy to the countries of northern and central Europe. Greece has lost a great opportunity to become a pioneer and one of the most competitive countries in the world by enjoying about three hundred days of sunshine and over the 50% solar radiation than Germany, which holds the world's first place in photovoltaics (Greek Ministry of Environment, Energy and Climate Change, 2011).

Greece also needs to exploit the Structural Funds resources for upgrading its energy-related network and infrastructure, and in particular the further exploitation of renewable energy sources, as non-upgrading of the network and other infrastructures has a negative impact especially the low voltage photovoltaic and wind turbines. Investments in energy infrastructure bring added economic value according to international literature (Allan et al., 2011). In addition, regional and local considerations need to be taken into account. These boost entrepreneurship in the field of renewable energy and create a stable operating framework that ensures the sustainability of investment.

Finally, Greece must also be prepared for the Energy Union of the EU Member States, which aims to supply Member States with energy in a safe, affordable and environmentally friendly way. This strategy is based on the "Strategic Framework for a sustainable energy union with a long-term climate change policy" on five inextricably linked dimensions. Ensuring energy on the basis of solidarity and trust in Member States, free energy flow in all Member States by fully integrating the internal market, energy efficiency, freeing the economy of carbon emissions and supporting innovative clean energy technologies with a view to transforming the energy system (European Commission, 2015).

Regional Sustainable Development, Structural Funds and Entrepreneurship

The above analysis of entrepreneurship on both crucial sectors of social and green economy shows the importance of regional sustainable development and the effectiveness of Structural Fund resources. Regional governance and its role in achieving concurrent economic progress and strong environmental performance is an important data. Studies record that in order to work effectively the interaction of environmental, ecological and economic development and regional governance must integrate sustainable development into its core (Quaas et al., 2007; Salvati and Zitti, 2008). This is because sustainable development has primarily regional and local characteristics (Galarraga et al., 2011). Apostolopoulos and Liargovas (2018) have proposed a new decision-making model focusing on regional sustainable development that can lead to synergies between local operators, decision-making transparency and more effective use of European resources through the strengthening of social dialogue.

Undoubtedly, there is a correlation between the more effective use of Structural Funds and the proper and transparent functioning of the institutions (De La Fuente, 2002). Moreover, the greatest degree of decentralization contributes to the more efficient use of the Structural Funds (Bahr, 2008; Stegarescu, 2004). Therefore, the sectors of the social and green economy require a regional sustainable approach where financial tools and development policies will work effectively to promote entrepreneurship.

Of course, many of the existing problems of the Greek economy and well-established perceptions act as a deterrent to entrepreneurship and sustainable development and create a climate of distrust and a negative atmosphere. A typical example is the European funding and the thousands of fraudulent and non-fraudulent irregularities that occur every year and are reported to the European Anti-Fraud Office (OLAF), a service set up in 1999.

However, this is not only a Greek phenomenon but a general situation in the EU that not only leads to loss of resources but establishes a broader concept of corruption that ultimately works against healthy entrepreneurship. Structural Fund fraud in Greece is usually found in virtual service documents, rising service costs, invalid and distortion of competitions, refunds and other similar scams that expose the country and act as a deterrent to any kind of business venture.

In 2016, the Commission notified 19.000 irregularities, fraudulent and non-fraudulent, amounting to € 2.97 billion. Of these 1410 were notified as fraudulent for € 391 million and 17.670 irregularities as non-fraud, amounting to € 2.58 billion. Fraudulent and non-fraudulent activity was also detected in Greece in 2016, as was the case in previous years with a serious impact on entrepreneurship. Only for 2016, Greece announced 17 fraudulent irregularities, amounting to € 3.401.448 and 662 non-fraudulent irregularities amounting to € 185.621.694 (European Commission, 2017).

A second typical example is the social reactions, particularly to the investments of wind farms and biogas, both by organized social groups and by the local government, after it has been established that these investments negatively impact both the environment and the citizens. Any such investment followed by social reactions has been caught up in the gears of justice for many years as justice in Greece is a very slow process. Thousands of cases are pending in Greek courts and this inhibits any investment initiative. A negative perception of the judicial system is at the back of every investor's mind who questions the wisdom of investing under such conditions.

Conclusion and Suggestions

This chapter supports that the path to sustainable recovery of the Greek economy passes through sustainable entrepreneurship as it can develop through the social and green economy sectors. Of course, the development of entrepreneurship through the traditional economic sectors does not downgrade, but aims to emphasize the need for a different development model that is in sync with international standards and ensures the smooth sustainable recovery of the Greek economy.

Undoubtedly, it is a deep conviction that the mistakes and failures of the past cannot be repeated as they will lead to new and recurring economic and social crises. Therefore, old deadlocked practices of unsustainable entrepreneurship should be avoided (Liargovas, & Apostolopoulos, 2017) and business initiative should be strengthened through specific tools such as modern business education tailored to Greek needs (Kakouris et al., 2018). Consequently, sectors where entrepreneurial development can lead to job creation and give a competitive advantage to the Greek economy must be supported.

These sectors are the green entrepreneurship, social entrepreneurship that serves social goals by providing solutions to social problems and social needs. What is more, entrepreneurship in the field of renewable energy recourses, where Greece enjoys competitiveness, and the integration of green strategies will result in the qualitative upgrading of Greek products. Sectors of entrepreneurial activity should be a key priority of funding mechanisms such as those of the Structural Funds. The transition to a more regional and decentralized system that exploits resources in this direction will lead to increased citizen participation and the search for transparency and efficiency. At the same time a healthy and sustainable entrepreneurship will be encouraged by smoothing out the traditional distortions of the Greek economy.

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THE POLITICAL ECONOMY OF EU COHESION POLICY: PERSPECTIVES FROM THE SOUTH AND EAST PERIPHERY OF THE EU

Anastassios Chardas, Mariska van der Giessen, and Zoltán Pogátsa

Introduction

This paper attempts to analyze the political economic discussions surrounding the European Union's Cohesion Policy (EUCP) from the perspective of Southern and Eastern member states. In order to achieve its' research aims the paper adopts a political economy approach which explains the effects of the EUCP in the old and the new peripheries of the European Union (EU). The central argument of the paper is that in order to offer a comprehensive and fair assessment of the political economy effects of the EUCP, we need to embed this policy in the wider configurations concerning both the EU policies with political economy aims as well as the European political economy in a broader sense.

There has been no lack of scholarly interest about the impacts of EUCP programmes in recipient countries, either quantitative (for a recent contribution see Crescenzi and Giua, 2018) or qualitative (for example Houliaras and Petropoulos, 2016). The former studies focus on the impacts of the programmes in the reduction of unemployment, GDP rates and generally socioeconomic cohesion and reductions of regional disparities inside the recipient countries or among EU countries as a whole. The qualitative studies focus on the policy and political impacts of the EUCP in the domestic arrangements of the recipient countries. There has also been considerable interest concerning the policy rationales and aims of the EUCP; this research interest was revived with the publication of the first comprehensive report on the EUCP since its inception in 1989 (the Barca report in 2009).

However, less scholarly attention has been paid -at least recently- to the political economy of the EUCP and in particular to the differentiated political economy[9] effects in the net recipients to the EU budget and therefore the European Structural and Investment Funds (ESIF).[10] The current contribution aims to partially close this gap in scholarly and policy research by focusing on the political economy effects of the EUCP from the perspective of the net recipients of the old periphery of the EU (Southern EU member states) and the net recipients of the new periphery of the EU (member states of Eastern Europe).

The rest of the article is divided in four further sections. The next section develops the analytical framework that we utilise in the article. The third section applies this analytical framework to the cases of the net recipients of the EUCP funds from the old periphery of the EU, focusing on Greece. The penultimate section applies the analytical framework to the net recipients of the new periphery of the EU, focusing on Hungary. The final part concludes and offers suggestions for the advancement of the research agenda that we propose in the article, both from scholarly as well as policy-oriented literatures.

'Embedding' the EU Cohesion Policy in the Political Economy of the EU

European Studies in general and particularly the study of EU political economy, have developed more or less in analytical isolation with each other. It is for that reason that we observe that the studies that approach different aspects of the EUCP focus on impacts and characteristics of this particular policy, without taking into account the effects of the EU's Single Market project and/or the wider macroeconomic governance of the EU as exercised in the context of EMU. Certainly, this scientific state of affairs mirrors the realities in policy-making terms in connection with the EUCP. That is, from practitioners' viewpoint, the EUCP has retained relative autonomy from other EU policies at least until the previous programming periods.

9. For an older contribution on the political economy of the EUCP see Borras and Johansen, 2001

10. The EUCP absorbs almost a third of the total EU budget

The reform of the Structural Funds in the late 1980s was followed by four programming periods[11] in which the EUCP had been operating autonomously from other EU policies. Broadly speaking, the regulatory and policy characteristics of the EUCP were laid down with the four principles that govern the ESIF and have remained almost unchanged since the late 1980s when they were introduced with the first major reform of the Structural Funds. These are the principles of programming, additionally, concentration and partnership.

However, when the current programming period was designed in 2013, this policy independence from other EU economic policies was largely credited with the ineffectiveness of the EUCP in achieving its' objectives (Bachtler et al., 2016). This criticism of the policy focus of the EUCP had its' roots in the publication of the Sapir report back in 2004 (Sapirt et al., 2004). It was expressed in concrete policy terms after the publication of the Barca report in 2009, which called for a complete overhaul of the policy objectives of the ESIF programmes away from projects of physical infrastructures. Adopting the recommendations of the Sapir report almost in full, the Barca report called for the ESIF to fund predominantly projects of enhancement of the innovative capabilities of the EU regions. As a result, since the initiation of the 2014-2020 period, there has been significant alignment of the EUCP with other EU policies, notably the "Europe 2020" Strategy for smart, sustainable and inclusive growth but also the new economic governance framework that was introduced in the EU since 2012.

Practically, this alignment resulted in the channelling of significant sums of the total EUCP funding to the thematic priorities of the Europe 2020 Strategy (Avdikos and Chardas, 2016). Also, the EUCP funding became one of the instruments of macroeconomic conditionality in the context of the European Semester and the other economic governance mechanisms that had been designed in order to strengthen the economic element of the EMU[12] (ibid.). Therefore, the policy conditions that justified the study of the EUCP in analytical isolation from other EU policies with political economy elements and impacts do not exist anymore. Through these two policy mechanisms the EUCP may potentially have wider horizontal effects in the domestic political economies of the recipient countries.

The EUCP was established with the first major reform of the Structural

11. 1989-1993, 1994-2000, 2000-2006 and 2007-2013

12. For the new economic governance in the EU and the Eurozone see Chatzistavrou, 2018 among others

Funds in 1989; at the time, Greece had entered the then European Community (EC) and Spain and Portugal had followed in 1986. The Council had accepted that the issue of the structural imbalances between the by then wider Southern Europe and Northern Europe needed to be addressed in more comprehensive and integrated manner (Molle, 2008). It was accepted that the core EU member states enjoyed several economic and geographical comparative advantages (productive, locational, lower transaction costs, etc.) that would lead to further concentration of economic activities in their geographical areas.

Therefore, at the time of its' inception the EUCP was explicitly linked with the prospect of the completion of the Single Market in 1992 as well as the then prospect of the introduction of the common currency (ibid). It was thought that the removal of all national tariffs in the inter-EU trade as well as the adoption of a common currency by a group of countries with divergent economic and monetary circumstances and needs, would produce specific economic geography outcomes: the strengthening of the already in operation centripetal economic forces that would benefit the countries of the EU core at the expense of the underdeveloped Southern periphery (Puga, 1999). In this article, we argue that the initial thinking behind the establishment of the EUCP was insightful in its predictions concerning the configurations of the European economic geography. We argue that the political economy thinking that was operationalized in order to justify the need for redistributive policies functioning alongside policies based on free market principles, needs to also inform the current scholarly and policy discussions concerning the EUCP. That is, the political economy of the EUCP can only be properly understood if it is studied concurrently with the other EU policies with political economy objectives, but also with the configurations of the European political economy as whole.

We identify two EU policies with political economy objectives, and one major characteristic of the industrial dynamics in the European political economy that have been detrimental in creating these economic geography outcomes. Firstly, the European Single Market and the Economic and Monetary Union (EMU) are the two policies that inadvertently influence the spatial allocation of productive activities alongside the EUCP. Secondly, in connection with the configurations of the European political economy that have inadvertently influenced spatial dynamics in the EU, we refer to the deindustrialisation of the countries of the old EU periphery and the gradual dependent integration of the industries of the core localities of the countries of the new EU periphery, in the industrial productions of the core member states.

Specifically, the Single Market involved the abolition of all tariffs and other protectionist trade measures deployed up to 1992 by the member states. The industrial production capabilities of the old peripheral EU countries have been severely affected by the opening of their economies to trade with the core EU member states. On the other hand, the establishment of the EMU has entailed specific obligations for all member states: their monetary and exchange policies have had to be adjusted to the convergence criteria.

We will not enter into technical discussion concerning the convergence criteria; in political economy terms, their aim has been the compliance of all prospective member states of the Eurozone with very low levels of price inflation, fiscal rectitude and low levels of external debts. After the establishment of the common currency in the early 2000s, the convergence criteria (then codified in the Stability and Growth Pact) continued to be a primary external factor for the domestic political economies of the member states of the Eurozone. The countries that had not entered the Eurozone also had to pursue deflationary economic policies because membership in the EU has been inadvertently linked with participation in the Eurozone, hence adherence to the SGP.

Since 2012, reforms in the economic governance of the Euro have strengthened the economic component of EMU. The new measures have been based on the same economic philosophy and rationale of monetary union: the fiscal measures that have been introduced especially since 2012 are very restrictive as far as public spending is concerned (Chatzistavrou, 2018). Moreover, the new economic governance of the EMU has introduced binding punitive measures for fiscally recalcitrant member states. As with the Single Market, we argue that the effects of the contractionary, pro-cyclical fiscal and monetary policies inherent in EMU have had severe effects in the economic performances of the peripheral EU member states.

Over the course of the last thirty years, there has been significant convergence between the EU's rich and poor countries at the national level (Petrakos and Psycharis, 2016; Odendhal et al., 2019; Kramer et al., 2020). Member states from both the old and the new peripheries of the EU have closed their developmental gap with the rich countries of the EU countries in the West and the North. However, when delving deeper on the territorial circumstances at lower geographical levels inside the member states a different picture emerges. Alongside patterns of national convergence at the EU level, we also observe severe and seemingly irreversible inequalities inside each member state.

Specific spatial agglomerations have widened their developmental gaps with the rest of the country in which they are located more than considerably during the last thirty years. Large or small urban areas inside the member states have been integrated in the European political economy much more successfully than the rest of the country in which they are located. Two recent reports (Odendhal et al., 2019; Kramer et. al., 2020)[13] confirm these characteristics of the EU economic geography and the regional inequalities that they produce. The reports identify specific spatial agglomerations that have benefited from the economic policies of the EU but also the wider configurations in the industrial dynamics of the European political economy.

These clusters of economic activity are located inside the core member states and particularly in and around the largest urban conurbations of these countries. These trajectories are more clearly identified in one of the two reports (Kramer et al., 2020:21). The period that followed the completion of the Single Market (1991-1999) has been marked by sharp increases in spatial inequalities, the second was the period of the first years of the operation of the common currency (2001-2007) which was the period of decreasing disparities, and the latest period is the one that started with the economic crisis of 2008 and is still ongoing; increasing disparities have emerged during this period.

The Old EU Periphery with a Focus on Greece

What we can conclude from the brief discussion on the history of the EUCP that was presented in the previous section is that the issue of Southern expansion was more than instrumental as a public policy concern for the creation of the EUCP in the late 1980s. Indeed, as of 2020 the Southern EU member states[14] have been the main beneficiaries of EUCP funding for three decades.[15] The funds have contributed heavily to regional and urban

13. The UK based think-tank 'Centre for European Reform'.

14. Portugal, Greece Spain and Southern Italy are included in these areas. For the research aims of the paper we focus on the first two. Southern Italy is not discussed in the paper because it is not a separate country.

15. The principle of additionality requires national and sub-national agencies from the re-

transport infrastructure, making connectivity drastically easier for these countries. The projects that eased connectivity were thought adequate policy measures to decrease the centripetal economic forces in the economic geography of the EU.

There is little doubt that the inclusion of the Southern EU member states in the large trade block that became the EU has had positive effects for the national political economies. Transaction costs for the companies of the member states were reduced substantially, the potential markets for these companies expanded and potential spill-over effects that could improve the competitiveness of the national markets were made available. Similarly, the participation of the EU Southern member states in the Eurozone allowed them to enjoy very low levels of interest rates for the first ten years of the EMU. Low interest levels as well as very low levels of inflation created a potentially positive investment environment for the Southern EU member states. Nonetheless, both the Single Market and the EMU also have had certain consequences for the Southern EU members states, which are the result of congenital politico economic characteristics that have been 'locked-in' these countries.

In particular, Spain, Portugal and Greece abolished dictatorial regimes in more or less the same period.[16] During the long years of dictatorship in Spain and Portugal and the autocratic regimes that ruled Greece between the end of the civil war and 1974, the state had intervened actively in the domestic economy (Gunther et al., 2007) and particularly in the national industries (see Pagoulatos, 2003 for Greece, Confaria, 2005 for Portugal and Balbin, 1999 for Spain). During this period, these three countries had largely kept their national industries protected from any foreign competition through elaborate legislations that limited trade with other countries and supported domestic industries. Owing to their late industrial development in comparison with the countries of the EU core, Southern European countries of the EU semi-periphery (Baldwin, 2011) had deployed trade and industrial policies of Import Substitution Industrialisation (ISI)[17] during autocratic rule (Gambarotto et al., 2019:152). These policies contin-

cipient member states to provide around 50% of the total cost for each project; hence it is not feasible to calculate the exact number of funds that the Southern EU member states have received over those 30 years.

16. The Francoist dictatorship ended in 1975 in Spain, the dictatorial regime that ruled Portugal ended in 1974 and the colonel's junta was overthrown in Greece in 1974.

17. The literature on ISI and the 'developmental state' is huge and has mainly dealt with the late developers in East Asia (Haggard, 1990).

ued after the end of the dictatorial regimes, this time in order to politically control the economy and avert any possibility for new dictatorial regimes reemerging.

Resulting from these economic policies, the three Southern European countries under discussion had developed relatively advanced industrial bases, with domestic industries such as the automobile SEAT in Spain growing on an export-basis substantially by the mid-1980s. The mechanisms at work in this period made sure that the national industries were allowed to advance their production capabilities on the basis of protection from foreign competition and state financial support or even outright state ownership.

The former aspect of this strategy was made possible through the imposition of high tariffs on imported goods, whilst the latter was implemented largely because of the revenues that this strategy conferred to the government budgets. It needs to be pointed out however that the state-led industrialization encountered in the Southern European countries had not always been planned and/or directed to create industrial sectoral specializations.[18] Instead, it has more often than not been spontaneous, incoherent, fragmented and aimed to compensate for the lack of overall growth (ibid). Nonetheless that should not lead to the analytical conclusion that state intervention in shaping the industrial dynamics in these countries had not been significant.

The strategies that were based on the protection and financing of national industries had to be eliminated with the completion of the Single Market. As we will see, the period when the project of the Single Market was prepared (1986-1992) and in the immediate years after its completion (1992-1995), deindustrialization settled in the countries of the EU periphery. As regards the effects of the EMU, the contractionary nature of the project did not allow for fiscally driven developmental policies to be pursued. The severe economic crisis that has been affecting these countries since 2008 has contributed to the further deterioration of these countries. We now examine one of the countries of the old EU periphery where these effects have been more pronounced: Greece.

Greece followed the strategy of eliminating all trade barriers gradually, starting with the abolition of national tariffs in the second part of the 1980s and concluding with the complete abolition of tariffs by 1992. A comparison

18. As has been the case in late industrialisers of East Asia for example where industrial growth has been largely credited to the role of the 'developmental states'.

between the share of industrial production in general and manufacturing in particular in the domestic GDP, before and after the period that preceded the completion of the Single Market, reveals that a period of de-industrialization initiated in that period in Greece. Louri and Pepelasis Minoglou (2002) proceed in such a comparison for and point towards differences in the rates of industrial production and manufacturing as a percentage in the GDP for the ten years prior to 1986 (an average percentage of 23% and 19% respectively) and observe a steady decline for the years between 1986 and 1994 (in 1994 the relevant percentages were 18% and 15% respectively).[19]

Industrial production and manufacturing activities continued to decrease in Greece throughout the 1990s and 2000s, albeit not as drastically as in the preparatory and the first years of the Single Market. In 2018, industrial production was at 15% of national GDP, which is among the lowest in the EU countries (INE-GSEE, 2019:119). The processing industries account to 11% of the national GDP whilst the services sector accounts for almost 78% of national GDP (ibid).

Moreover, domestic industrial production only covers 26% of domestic demand with the remaining 74% coming from imports.[20] During the last ten years, deindustrialization has been more pronounced in Northern Greece and these processes are directly linked with the participation in the Eurozone. In particular, there has been large scale emigration of small and large industrial and manufacturing firms from Northern Greece to the neighboring Bulgaria, Northern Macedonia and to a lesser extent to Romania (Association of Industrialists of Northern Greece, 2018). In certain regions of Northern Greece, such as that of Eastern Macedonia and Thrace, deindustrialization has reached almost 90% during the years of the economic crisis (ibid.); as a result, this region is now among the 50 poorer EU regions.[21]

This has not been the outcome of high labor costs as some analysts suggest; surely, that factor has played a role as have other domestic political economy characteristics, such as the lack of a long-term industrial strategy. Nonetheless, a long-term developmental strategy, either sectoral/horizontal and/or spatial/regional has never materialized in Greece (Pagoulatos, 2003; Petrakos and Psycharis, 2016). Thus, it seems bizarre to attribute the

19. Table 4, p. 334

20. https://m.naftemporiki.gr/story/1278483

21. https://ec.europa.eu/eurostat/documents/2995521/9618249/1-26022019-AP-EN.pdf/f765d183-c3d2-4e2f-9256-cc6665909c80

deindustrialization that has occurred during the last 20 years in Greece and particularly during the period of Eurozone participation, on a long-standing and ingrained structural characteristic of state-industry relationships in the country. Moreover, if low production and specifically labor costs were the only factor for the attraction of investment, the countries of the underdeveloped world would have been major centers of economic activity, which is not the case. Rather, overvalued production costs when compared with the countries with which Greece competes for industrial exports and have not joined the Eurozone seem a more plausible explanation.

As was mentioned, participation in the Eurozone has conferred many political and economic advantages to the countries that became members in the early 2000s; production cost competitiveness however is not one of those advantages. Neither is the independence of the member states of the Eurozone to tune their fiscal and monetary policies to the demand side of their political economies.

In particular, the euro is an overpriced currency for economic laggards of the Eurozone such as Greece. This is because the value of the Euro in the international money markets is determined by the political economy circumstances of the advanced industrialised countries of the core of the EU. As a result, Greek industrial exports are much more expensive than the industrial exports of the countries that do not belong in the Eurozone. Moreover, because of the political economy nature of the EMU, certain economic policy instruments that can be used in countries with independent fiscal and monetary functions, have been out of bounds for the struggling Greek economy in the last ten years.

These instruments include the devaluation of the national currency which would have rendered Greek exports more competitive, as well as any policy instrument that would have focused on the increase of the demand side of the country's economy has not been an option. Looser monetary policies such as the printing money or the easing of issuing credit in private companies and/or fiscal policies that would increase the levels of economic activity are only some of them. Because these instruments could not be implemented in the context of the Eurozone, the devaluation of labour costs became the only available policy option during the last ten years. This indeed has occurred in Greece, with massive horizontal reductions of labour costs taking place. These policies have done nothing to improve the competitiveness of the Greek political economy.

In terms of spatial distribution of economic activities, the outcome of the forces discussed so far has been consistent with our analytical framework: Greece as a country has partially converged with the core EU member states, although these trajectories have been reversed during the years of the economic crisis when the country lost more than 25% of GDP. Characteristically, the report published under the auspices of the European Commission points out that the evolution of regional disparities between the 10 older EU member states since 2009 is much steeper than in the case of the group including nine of these states minus Greece (Krammer et al., 2020:63-64). The report attributes the difference in the weak performance of Greece and establishes a link between these territorial processes and the measures to reduce government spending in order to control public-sector debt (ibid.). Nevertheless, Greece's position as a nation to the EU core is closer to the EU core countries than when the country entered the EU.

However, when we examine regional inequalities inside Greece, we observe that the growth gap between the city of Athens -including the surrounding prefecture of Attica- and the rest of the country has widened enormously. According to the preliminary results of the OECD latest territorial review,[22] in 2016, the level of GDP per capita in the capital region (Attica) was twice as high as in East Macedonia, the region with the lowest GDP per capita in the country. Similarly, the gap in GDP per capita between the richest and poorest Greek regions has increased over the last sixteen years and four out of the 13 Greek regions are included in the 50 poorer regions of the EU.[23]

The New EU Periphery with a Focus on Hungary

The Eastern EU member states[24] are relative newcomers to the EUCP framework as they have only received one and a half decades of support. The addition of these countries in the EU increased its' population by 20% but it's GDP by only 5%. As a result, average GDP rates dropped in the EU, rendering many areas from the old EU periphery that had been receiving Objective One funding[25] until the 2000-2006 programming period, richer

22. http://www.oecd.org/greece/territorial-review-of-greece-preliminary-findings-greece-march-2019.htm

23. Ibid.

24. For the research purposes of this article, we include in the Eastern EU countries Hungary, the Czech Republic, Slovakia, Poland, Romania and Bulgaria.

25. Objective 1 regions were those that had GDP rates bellow 75% of the EU average. This

than what they actually were. This was what was termed at the time the 'statistical effect' of the 2004 wave of accession. The drop in the average GDP rates that was the result of the addition of the new EU peripheral countries, was not followed by any significant increases in the overall EU budget as had happened with the addition of the countries of the old EU periphery in the late 1980s. The same funding that had been allocated to the recipient member states prior to 2004 had to be allocated to the enlarged EU periphery.[26]

Despite the fact that there had been no increases in the total EUCP budget due to the Eastern EU expansion, the EUCP underwent considerable regulatory changes at the time. We briefly discussed these changes above; the policy focus of the ESIF on transport and other physical infrastructures had been negatively scrutinized prior to the accession of the new EU peripheral countries. Consequently, the view that investment in innovation and Research and Development is far more important than in transport infrastructures was consolidated by the early 2010s. Indeed, the programming period 2007-13 and especially the 2014-2020 one, altered the financial allocations of the EUCP and mainly included programmes that aimed at the upgrading of technological innovations.

These changes in the policy philosophy and rationale of the EUCP has meant that the countries of the Eastern EU periphery have had less opportunities to upgrade their physical infrastructures as the Southern EU member states had (Farago and Varro, 2016). Instead, they have had to adopt to a policy framework more suited for already advanced economies that are attempting to move towards more competitive economic activities. Nonetheless, the member states of the new EU periphery needed basic assistance before they could proceed to focus on becoming competitive (Allen, 2008:27).

Moving to the wider trajectories of European political economy as they relate with the countries of the new EU periphery, these countries have had to transition their political economies towards liberal market economies since the early 1990s. The prospect of European accession has been an important external driving factor in these processes (McGowan et al., 2004). The most prominent political economy characteristic of this transition has

category was renamed 'convergence' and 'less developed' regions since the programming period 2007-2013 until today

26. It needs to be pointed however that the overall funding that had been allocated to the EUCP had been increasing; as a result, the resources from the EU budget that are available to the EUCP have been doubled and the policy has been absorbing around 1/3 of the total EU budget.

been the massive closures of industries that had been working as part of industrial production coordinated by (and in accordance to the productive needs of) the Soviet Union during the 1990s. These closures have also resulted in massive job losses in the industrial sector. However, by the early 2000s and particularly in the years since then, many countries of Eastern EU periphery have diversified their industrial productions and integrated their industries to the needs of the multinational capital of the EU core countries (McGowan et al., 2004; Naude et al., 2019).

The integration of the EU Eastern periphery in the needs of the large multinational companies has not happened by accident of course. These countries had lost any industrial competitive advantages that they enjoyed during the Communist era. Also, they were unable to fund state-directed industrial policies due to the prospect of entering the EU, which was conditioned on compliance with the convergence criteria. Thus, they embarked on a 'race to the bottom' in order to attract foreign investments in their territories. Tax allowances, low rates of taxation for income taxes accrued through entrepreneurial activities, the existence of low paid labor forces, even 'special economic zones' in some cases have all formed parts of industrial policies aiming to lure foreign investments (Medve-Bálint and Šćepanović, 2019).

These policies were facilitated and encouraged by the EU (McGowan et al., 2004; ibid). However, although initially these policies favored foreign investments that would develop linkages with regional and local domestic political economies, by the late 1990s, these countries had come to terms with the realities of the ways in which footloose multinational capital operates. As a result, the Eastern European countries turned their policies efforts towards the attraction of multinational capital that would only temporarily add to the competitiveness of their economies (Drahokoupil, 2009).

The industrial policies that have been pursued during the last twenty years have entailed no obligation for multinational industrial capitalists to engage in any long-term investment strategies and/or develop significant productive relationships with the geographical areas in which they have been located (Pavlinek, 2018). In purely quantitative terms this strategy has paid off; by 2017 the contribution of manufacturing to the GDP of all Eastern EU member states was 20%, higher than the EU average of 15 percent (Naude et al., 2019:2).

In terms of the spatial distribution of the industrial activities, the relevant literature points towards the significance of geographical proximity of the countries of the new EU periphery to the core EU countries as a fundamental reason for the configurations outlined so far (Pavlinek, 2018l Kramer et al., 2020). Companies from the EU core member states have been outsourcing parts of their production in the Eastern EU periphery and have been able to enjoy several locational advantages: low transportation costs, optimal access to markets for the supply of the final products both in the core and the peripheral EU countries are only some of them. Essentially, the countries from the new EU periphery form the economic "hintergrund" of German and other core multinational companies, serving as low wage, low value-added platforms for predominantly German transnationals.

However, it needs to be pointed out that the trajectories that we have outlined so far have not been uniform all over the countries of the new EU periphery. Geography is the most important factor in determining the locational characteristics of the core-periphery investment strategies that we have discussed. Large urban agglomerations inside each member state of the Eastern EU have been the most important locations for the foreign investment (Kramer et al., 2020). Simultaneously however, there is a distinct core-periphery pattern among the Eastern EU member states themselves, with the countries closer to the EU core attracting more foreign investment than those more peripheral to the EU core. It is for that reason that we now turn our analysis to a country that had been characteristic example of the differentiated trajectories that we have outlined: Hungary.

Hungary is considered one of the economic "success stories" of the countries that entered the EU in 2004 and 2007. It has been registering high levels of GDP growth and employment creation throughout the last 25 years and has been a case study in the ways in which it integrated its' industrial dynamics in the global value chains of the EU multinational capital. Hungary was one of the very few Communist countries that had already opened its' economy to foreign trade since the 1960s (Fabri, 2019). The earlier integration of the Hungarian economy to the needs of the globalised capital, combined with active industrial policies implemented in the country since the 1990s are credited for the industrial success of the country. State aid schemes in the form of budget subsidies had been widely used before the accession of the country in the EU, remaining between 5% and 6% as a share of GDP until 2005. Large automotive companies have located plants in Hungary and the share of industrial production to national GDP was almost 26% in 2018.[27]

27. https://www.statista.com/statistics/339742/share-of-economic-sectors-in-the-gdp-in-hungary/

Consequently, we observe that the country has been more than successful concerning the integration of the Hungarian economy in the wider trajectories of the European political economy. This is one of the reasons why the economic crisis of 2008 did not have significant repercussions in the Hungarian economy although it did have to acquire loans from the International Monetary Fund (IMF) in order to correct its' balance of payments. As regards compliance of the Hungarian political economy to the rules and regulations of the European Single Market and participation in the EMU, we observe some interesting issues. Concerning the former, the country has incorporated all the Single Market regulations; it has not become part of the EMU however, even though participation in the Eurozone is supposedly linked with participation in the EU according to the EU Treaties.

Until the election of the Fidezs party in government in 2010, participation in the Eurozone had been the stated macroeconomic goal of Hungary. Several dates had been agreed as targets for accession of the country to the Eurozone until then; for different political economy reasons all the targets were abandoned. In 2011 the Prime Minister of the country stated that Hungary would not abandon its' national currency until 2020. Non-entry in the EMU has allowed the Hungarian governments to implement looser economic policies than the countries of the Eurozone.

Although not substantially, the country has in different periods breached all the convergence criteria and refused to participate in the new economic governance framework that was established in 2012. Most importantly, the Hungarian government was able to adopt monetary and fiscal policies more in tune with the real political economy needs of the country. The Hungarian central government proceeded to printing of national currency and has been able to adopt anti-cyclical fiscal policies, thus mitigating the effects of austerity that came as a condition with the IMF loans.

To provide one such example, total public investment in percentage of GDP was the highest among EU member states in Hungary in 2018 (Kramer et al., 2020:103). As a result, unemployment rate that had grown to almost 12% in the peak of the crisis and has since been reduced to a little less than 4%.[28] Of course, this came at a price of inflation rates of 3,3% for 2019. Which are above the limits specified by the convergence criteria. Also, the Hungarian currency is significantly undervalued compared to the

28. http://www.ksh.hu/gyorstajekoztatok/#/en/document/mun1711

euro and all the other international currencies, thus making Hungarian exports more competitive.

Moving to the territorial distribution of economic activities in Hungary, we observe similar trajectories as with most countries of the EU periphery; the capital of Hungary (Budapest) has been transformed almost completely, while the rest of the country is lagging far behind in all economic measurements (Kramer et al., 2020). Moreover, due to the geographical proximity of the country and Budapest in particular in the core economic powerhouses of the EU, the regional inequalities between Budapest and the rest of Hungary has been even more significant than in other cases. Specifically, Budapest has registered outstanding economic performances during the last 20 years and it accounts for 54% of Hungarian GDP and 46% of the country's employment.[29] The area of Budapest is one of the most competitive regions in the EU and one of the most competitive cities in the world. On the other hand, four regions in Hungary are included among the 50 poorest NUTS II regions in the EU[30] and the country has the second highest regional disparities in GDP per capita among 30 OECD countries with comparable data.[31]

Overall, it seems that the Hungarian economy -as most of the new EU peripheral economies- has been better integrated in the European political economy than the old periphery of the EU. The Single Market does not seem to have produced any impediments for the country; contrary to that, it could be argued that the Single Market has facilitated industrial growth. However, it can also be assumed that the fact that Hungary does not participate in the EMU has left important policy space for the domestic authorities dealing with economic policy. The looser monetary and fiscal policies that have been implemented in Hungary during the last ten years have undoubtedly facilitated the domestic political economy to deal with the worst effects of the economic crisis. These policies might have helped the Hungarian economy to continue towards its' convergence with the EU core countries despite the crisis. However, as with all the peripheral EU states the spatial allocation of economic activities has been highly centralised in and around the capital city Budapest, with the rest of the country remaining far less developed.

29. https://www.oecd.org/cfe/HUNGARY-Regions-and-Cities-2018.pdf

30. https://ec.europa.eu/eurostat/documents/2995521/9618249/1-26022019-AP-EN.pdf/f765d183-c3d2-4e2f-9256-cc6665909c80

31. OECED, ibid

Conclusion

In 2020 the negotiations that had been taking place between the Commission and the European Council for the final financial allocations that will be assigned to the EU Budget for the programming period 2021-2027 are to be finalised. Clearly, the discussions concerning the EU Budget will determine the exact amount of funding that will become available through the EUCP. The Commission had proposed a number of financial allocations[32] that has not been accepted by the EU Council.

As has happened in the negotiations for the previous programming periods and particularly those since 2000, there has been very strong resistance from some of the so-called net contributors to accept even meagre increases in the already meagre EU Budget.[33] On the other hand, the net receivers have failed to form a concrete negotiating block in the Council. As a result and although the final decisions have not been taken yet, it seems more than plausible that the final allocations will be far less than what is actually needed for the amelioration of the territorial disparities that -as we have seen in the paper- have increased inside the member states of the EU.

The discussions concerning the EU Budget are being held on the same assumptions that we discussed in this article: the countries that contribute more to the EU Budget are being juxtaposed to the countries that receive more from it. Therefore, the final financial allocations to the EUCP are determined exclusively on the basis of one criterion: the governmental contributions to the EU Budget. However, as we analyzed in the paper, the effects of the EUCP cannot be properly identified if we do not include the effects of the broader political economy trajectories that have been formed as part of European economic integration. The effects of the macroeconomic governance as it is implemented in the context of the EMU as well as the repercussions that the participation in the Single Market entails for all member states need to inform the discussions about the EUCP, hence the EU Budget.

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32. http://www.epgencms.europarl.europa.eu/cmsdata/upload/db93fa39-84ce-44fe-b4fa-4c6824185e13/2021-2027_Multiannual_financial_framework_and_new_own_resources_-_Analysis_of_the_Commission’s_proposal_.pdf

33. https://www.dw.com/en/european-union-leaders-fail-to-agree-on-new-7-year-budget/a-52469997

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PART B

ECONOMIC DEVELOPMENT AND FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS FOR THE SUPPORT OF SMES: THE CASE OF THE ENTREPRENEURSHIP FUND

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Introduction

In a capitalist economy, uneven development leads at all times to a split between large-scale and small-scale capital; the latter comprises the bulk of small and medium-sized enterprises (SMEs). Small-scale capital faces worse conditions in both short-term and long-term financing, namely in accessing both working and investment capital. Therefore, a structural financing gap appears that pertains to SMEs. To introduce the main actor of this drama, it is a common secret that bank lending is tighter, lower, at a higher price to SMEs, compared to large enterprises. Public policy steps in, in the form of financial instruments. Although these are general features of capitalism, crisis exacerbates financial difficulties, banks' channels shut down to unprecedented levels and the urgency for state intervention is acute.

The search for alternative forms of SMEs financing is a matter of particular concern for governments at a global level. At the EU level and in the context of an integrated policy design for the support of SMEs, as illustrated by the Small Business Act (SBA) (COM (2008), 394 final), there has been a clear trend in recent years advancing the use of financial instruments beyond traditional subsidies. This trend is observed both at the level of the European Structural and Investment Funds (ESIF) and the state aid regulatory framework, as well as in the context of the implementation of the European Fund for Strategic Investments, combining various instruments types (Wishlade and Michie 2017:9-12). Already in the current programming period 2014-2020, EU funding of over 1 trillion euros is channeled by the European Investment Bank and the cooperating financial intermediaries to SMEs through financial instruments, a trend which is set to be increased further in the upcoming programming period 2021-2027 through “InvestEU”.

In Greece in particular, SMEs are more numerous, smaller and weaker, compared to other advanced countries while the last capitalist crisis was particularly severe. According to the results of the European Central Bank Survey on Access to Finance of Enterprises (SAFE), access to finance is the number one problem Greek companies have been facing, during the deep prolonged crisis. Hence, the necessity for state intervention for the benefit of SMEs is well documented. Indeed, and for the first time in the modern economic history of Greece, such an intervention was orchestrated. Although money was so dear at the heart of the crisis, wages and pensions were dramatically cut and the state was at the verge of official bankruptcy, a Fund was formed to address banks’ withdrawal from SMEs financing. Alas, banks were indispensable part of this project, both in designing and implementing it.

In other words, banks that, for various reasons, did not lend to SMEs were called in to cover the gap that they themselves have created. Yet, banks are far from non-profit organizations and their retreat from lending is driven by profit calculations. It is hardly debatable that banks, lacking interest in lending to SMEs in the first place would successfully be part in the design and implementation of a financial instrument for the benefit of SMEs at least not at a high price.

This paper formulates and builds on this theoretical contradiction in order to evaluate the results of the Entrepreneurship Fund, in supporting the development of SMEs. To do so, it will prove compulsory to reveal the role of banks and their motives. The paper is structured as follows. The first section lays the theoretical ground for banks, SMEs and financial instruments addressing the financing gap. The second section focuses on the Entrepreneurship Fund and its results, overviewing and evaluating its implementation. The last section concludes with policy proposals.

Banks, SMEs and State Intervention

Banks

There are various approaches to banking. Typically, banks are treated as financial intermediaries, with their traditional role being that of taking deposits and making loans. This approach departs from market failures for providing the foundation for intermediaries.[34] Market failures, it is argued, arise because of information asymmetries, especially under uncertainty (Trembley, 2003) and transaction and monitoring costs.

Information asymmetries arise when different economic actors have different access to information in a transaction. From the point of view of the buyer, crucial factors may be lacking information such as competitors' prices, quality issues, technical aspects as regards the product/service, hidden costs, probable commissions or fees. Adverse selection will probably emerge (Ackerlof, 1970), with the seller finding herself in an advantageous position *vis-à-vis* the buyer. Apart from adverse selection, information asymmetries may give rise to problems of moral hazard leading to credit rationing (Stigltiz and Weiss, 1981) and affect the way consumers assess the quality of products or services they need to purchase (Ackerlof, 1970; Barbaroux, 2014). On the other hand, when a bank does not have the appropriate information to evaluate the financial status of an enterprise, lending could lead to negative outcomes in bank's financial decisions. In this case, banks request additional collateral (Fraser et al., 2015) to decrease the risk from providing a loan.

Transaction and monitoring costs often appear during the post evaluation period and they increase the operational costs of the provider of finance (in our case, the bank). Significant cost appears for lenders because they need to collect, evaluate and use reliable data. This is the basis both for the *ex ante* evaluation of funding requests and for the gradual disbursement of loans. Furthermore, it is used to monitor enterprises on the use of finance, according to the terms of the contract. All the above require expert staff in a variety of fields, which increase the lender's operational cost. In addition, monitoring costs may lead to suboptimal provision of finance (Brown and Lee, 2018; Beslev, 1994) which may result in more small-scale

34. Although the role of banks has become more sophisticated, they remain a significant pillar of the financial system. In their seminal paper, Allen and Santomero (2001) provide a very good account of this line of reasoning.

loans and less large-scale loans. The argument is that an enterprise receiving a large loan may not be strongly motivated compared to receiving a small loan. This situation exacerbates the financing gap between credit demand and supply.

Examining the historical roots of banks, we find their theoretical antecedents in the credit relations emerging between buying and selling capitalists, leading to the development of finance specialists; notably money lenders and discounters that lend hoarded money and earn interest. These specialists develop three key attributes that the bank takes up and develops: they become the economy's specialist in assessing and enforcing repayment of promises to pay, they possess cash in hand, and they become specialists in the technical aspects of handling money and credit (Lindo, 2013).

Therefore, "in a capitalist economy, in principle, banks are profit-making enterprises similar to private industrial and commercial capitals." (Itoh and Lapavitsas, 1999:95) Their profit is interest and is closely correlated to industrial and commercial profit. Actually, in the long-run, interest must be a part of the profit rate; in the opposite case, in which interest is equal or higher than the profit rate, there is no motive for industrial or commercial entrepreneurial activities. Banking credit is the capitalist social mechanism that relates banks on one side, and several industrial and commercial capitals on the other (ibid: 92). Furthermore, focusing on the above credit relations, we need not expand on the determinants of the interest that accrues from credit relations between banks, the state and individuals.

Nevertheless, there is one financial innovation[35] that is relevant to the matter at hand. Reference is made here to fees for financial intermediation, the role of which has risen in significance, occasionally being more important than interest revenue itself. Indeed, fees are involved in the materialization of the examined programs of state intervention. In our case, fees do not force matters to a different direction than decisions based on interest revenue would dictate. Given that, the analysis of fees is confined to the minimum necessary.

In short, we are focusing on the credit relation between banks and non-monetary and non-financial institutions which are typically industrial and commercial firms. This is a profit relation that is mediated by the provision of moneyed capital, typically through the form of loan. The firm is expected to make a profit and return part of it to the bank through interest.

35. For a thorough account of the financial transformations that comprise financialisation see Lapavitsas (2013).

Since unequal firm sizes are unequal before the bank, this unevenness reinforces itself during the tides of economic activity; drying the weak in the low tide.

SMEs vs Monopolies

Uneven development is a feature of capitalism from its outset. The essence is that, in the process of accumulation, some units passed a size threshold, thus shifting the terms of competition (Cohen, 2007:43). Reference is never made to an actual monopoly (one unit or enterprise per sector) but to giant firms that command the bulk of the production in a given sector. "According to the kind of commodity and the situation of the market, 50 per cent to 80 per cent of total production is enough to give control of the market, and [...] even less than 50 per cent is often sufficient" (Varga, 1928: 53). The separation between large-scale capital and small-scale capital inside an economy and a sector is evident in all countries and manifests itself in many official and unofficial ways. This split is reflected in the organizations of the bourgeoisie domestically, in one country, but is even more apparent in the international organization of capitalists.

According to the EU definition (2003/361/EC), SMEs are enterprises with less than 250 employees and an annual turnover below 50 million[36] and/or balance sheet below 43 million. The threshold for small and micro enterprises is set at 50 and 10 employees, and at 10 and 2 million annual turnover and/or annual balance, respectively. Therefore, and without loss of generality, we may argue that micro and small enterprises, as defined above, comprise small-scale capital against monopolies. Yet, it is not so easy to argue the same as far as medium enterprises are concerned. It is clear that the range is extensive, with the lower strata evidently being part of small-scale and the upper strata being part of large-scale capital.

Although the scale antithesis is important for all economies, it becomes fundamental in the case of Greece because of the dominance of relatively small size capital units and because of her participation in the EU, the Eurozone and the corresponding division of labour. According to the SBA Fact Sheet 2018 for Greece, 829,677, almost 100% of all Greek enterprises, are classified as SMEs. Of these, 97.3% (807,666 enterprises) are micro-enterprises employing less than 10 employees, 2.4% (19,662 enterprises) are

36. All amounts are in euros, unless otherwise stated.

small ones, 0.3% (2,349 enterprises) are medium-sized, and almost 0.0% (376 enterprises) are large. More than half of the workforce, or 57.1%, is employed by micro-enterprises and 85.2% of the workforce by SMEs. Micro-enterprises and SMEs account for 22.7% and 63.6% of the value added, respectively. Compared to the EU-28 average, SMEs and especially micro-enterprises are more numerous and more important to the Greek economy.

On the other hand, Greek banks have, at least up until the burst of the crisis, a very strong position in the Balkans, Turkey and Cyprus even compared to world-class monopolies, while it's well known that the Greek-owned commercial fleet is still the biggest in the world in absolute terms.

As it is expected, SMEs face the most serious problems in access to finance. First, they do not have access to the money-market (typically the stock-market). Then, the networks of commercial credit are narrower and the likelihood that they do not make profits makes the risk higher. This is manifested in less sound financial record, tangible or intangible collaterals, compared to large enterprises. Furthermore, they face longer periods of depreciation of capital and lower volume of own capital.

What's more, SMEs do not always have access to the necessary information *vis-à-vis* banks. This eventually results in inadequate financing. Being in a weak position, SMEs are often consulted by banks to receive a loan with quite negative terms. Apart from high interest rate, a high commission also applies as banks charge more for evaluating the prospect of the loan return.

The situation is more difficult for start-ups, micro and, in general, small enterprises or enterprises at the seed stage which do not even have a financial record to be evaluated by banks. What's more, these enterprises cannot present revenues, making investors very reluctant to proceed on their financing. The existence of such high transaction costs and information asymmetries are obvious obstacles for private investors to be more active, especially in the case of venture capital (Jaki et al., 2017).

With the burst of the crisis, things turn dramatic for the small business, but they turn tough for the bank as well. In all the above, one should add that the general fall in the rate of profit motivates big business to turn to sectors or markets that were previously of no interest, left vastly to SMEs. Competition skyrockets, especially for the new market shares. On the other hand, money is primarily channeled to the repayment of previous obligations, since revenue collapses, thus drying funds for investment. Access to loans becomes crucial, while banks are mainly hoarding. The situation is clearly far from self-regulated or even occasionally disturbed and hence calls for the state to intervene.

Financial instruments and the financing gap

Despite the ideological rhetoric of neoliberalism,[37] the truth is that the state intervenes a good deal, among others, through financial instruments;[38] these are allegedly encouraging SMEs to request for a loan and finally receive it (Jaki et al., 2017). Moreover, public intervention could mobilize private sector to finance SMEs' investments, leading to what is called the "crowding-in" effect. This could take the form of supporting, on the one hand innovative projects (Mazzucato, 2013; Mazzucato and Semieniuk, 2017) and on the other hand, SMEs' projects and business plans with positive economic impact to the economy (Mazzucato and Penn, 2015).

To date, there is no general agreement on defining financial instruments. In most cases, they represent a variety of public financial programs aiming at alleviating SMEs' financial difficulties. The case of the European Cohesion Policy is an appropriate example for such an assertion, as its programs are driven from time to time according to the needs of the Cohesion Policy itself rather than the real needs of SMEs. Actually, there is a lack of an in-depth consideration regarding the design of financial instruments (Wishlade et al., 2016), about what they represent and how they are used as a policy instrument.

According to Brown and Lee (2017:7) *"financial instruments are public policy instruments such as subsidized loans, credit guarantees and equity finance schemes designed to overcome market failures experienced by small and medium-sized enterprises to promote productive investments in a way*

37. According to Vlachou and Konstantinidis (2016) "[...] neoliberalism celebrates individual freedom and responsibility, attributing economic failure or success to individual characteristics, such as entrepreneurship, rather than systemic or shared characteristics (Harvey 2006; Fine, Saad-Filho, and Weber 2014). Moreover, neoliberals claim that the market offers an optimal mechanism for the coordination of individual economic activities, as well as solutions to various economic or environmental problems (Castree, 2008a; Mirowski, 201:64–65)".

38. It goes far beyond the scope of the paper to elaborate on state intervention, for whose benefit and at whose expense. It suffices to note that the state does intervene in the markets, even in periods of growth, even at the heart of neoliberalism, even at the most integrated and advanced markets. A comprehensive account of financial instruments as part of the Cohesion Policy can be found in Schneidewind et al., (2013).

that would not result though market interactions alone". The above definition, neoclassical in origin, clearly characterizes financial instruments as public policy instruments for facing market failures appearing to SMEs' access to finance. In other words, at best, financial instruments are addressing the symptoms, rather than the cause of the problem.

Financial instruments provide the ground for a common understanding of public agencies authorized for the provision of financial instruments, or public financial intermediaries on the one hand and banks on the other (private financial intermediaries). Sometimes private funds are engaged, while all too rarely market's representatives may participate mainly during the shaping of the instruments and less so during the implementation period.

Financial instruments could be divided into the following four categories: (a) Loan funding instruments, (b) Equity, (c) Asset-based finance, (d) Alternative instruments. Loan funding instruments include either subsidized or guaranteed loans. They are the most commonly used financial instruments (OECD Scoreboards 2014-2019) and there is a lot of literature regarding their effectiveness (Brown and Lee, 2017). Equity mainly includes venture capital or private equity schemes.

These instruments have been popular in certain countries like the United States of America, Canada, Israel, the United Kingdom and Australia, but they are less developed in the EU (European Union, 2018). Asset-based finance concerns asset-based lending, warehouse receipts and most commonly used instruments of factoring and leasing. Alternative instruments include a variety of complex instruments categorized according to the level of risk and return (low, medium, high) like corporate bonds, covered bonds, subordinated loans, convertible bonds e.t.c. (Thompson et al., 2018).

In most cases, the declared scope of state intervention is to fill the SMEs financing gap which is defined by the EU as "*a mismatch between the demand and the supply in different types of financial instruments for SMEs in a given area of the EU*" (European Court of Auditors, 2012). A proxy of this gap is found in the European Commission's Single Market Programme Impact Assessment (2018), which provides the 7-year (2011-2016) average financing gap as a percentage of GDP.[39] The first corollary is that the vast majority of EU member-states face such a gap, suggesting that this is far from a local or particular problem. Yet, Greece faces the largest financing

39. For further details regarding the method of financing gap's calculations see EC (2018: 330-335).

gap which is estimated between 2,68 - 3,93 billion with an average estimated loan of 88,137 euros. It is highlighted in the above assessment, that the debt financing gap in the EU member-states is underestimated because it represents the measured gap only in terms of loan financing, without taking into account other sources of finance which are frequently used by SMEs (e.g. overdrafts, trade credits e.t.c.).[40] The data are portrayed eloquently in the following map.

Fig 1 *Financing gap in the EU.*

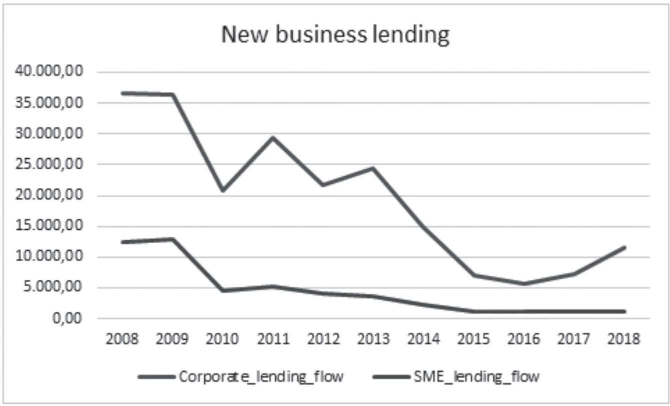
Source: European Commission, *Single Market Programme Impact Assessment,* COM(2018)

40. As mentioned in EC (2018:335), findings of other studies indicate that the financing gap expressed as a percentage of GDP is underestimated (Lopez de Silanes Molina et al., 2015).

Elaborating further on Greece's financial gap, another proxy is new business lending. It is straightforward from figure 2 that new loan flows have been collapsing persistently for SMEs (red line), while new loans to large enterprises behave differently (blue line). It should be also noted that large enterprises have access to other means of financing, while for small-scale business loans are almost the only inflow of capital.

A variety of financial instruments were designed and implemented in Programming Periods 2007-2013 and 2014-2020 for sharing the risk of the private sector, allegedly as a response to the above necessity. In reality though, these instruments did not function primarily for the benefit of the SMEs, but eventually for meeting banks' priorities and needs during the crisis. This will become as clear as possible in the following section.

Fig 2 *New business lending in Greece, 2008-2018.*



Source: *Financing SMEs and entrepreneurship: An OECD Scoreboard 2019.*

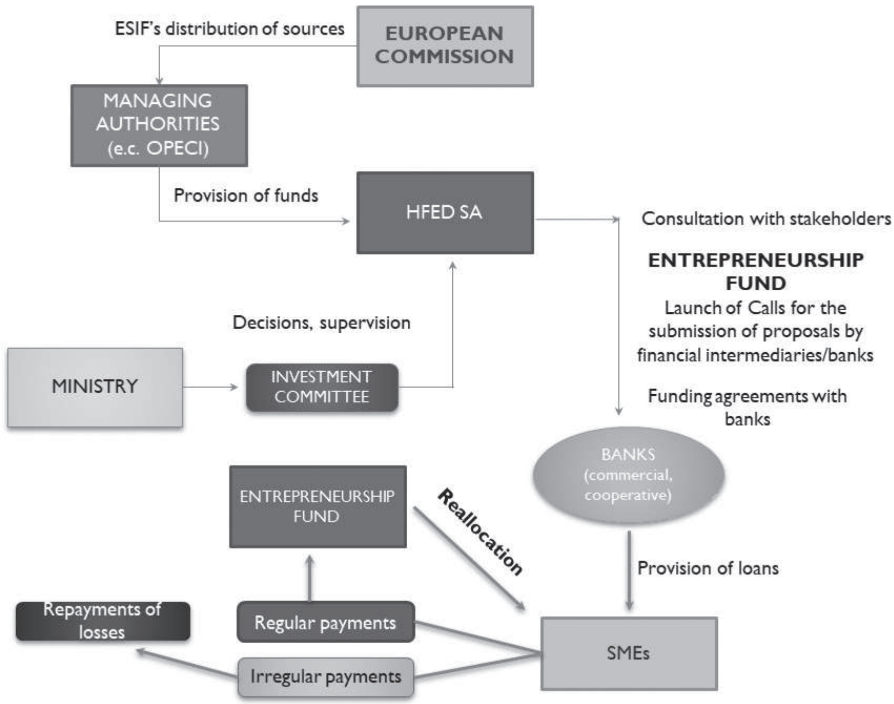
The Entrepreneurship Fund[41]

Establishment and Management

The Entrepreneurship Fund (hereafter, the "Fund") was presented as the first comprehensive effort to improve SMEs' access to finance in Greece. It was established in October 2010 by the Greek government as a holding

41. This section's quantitative analysis is based on authors' calculations. Sources: HFED SA reports and the Directorate for the Support of SMEs, Ministry of Development and Investments.

Fig 3 *Management procedure of HFED's financial instruments funded by ESIF.*



* OPCEI: Operational Programme for Competitiveness, Entrepreneurship and Innovation.

Source: Authors.

fund and separate block of finance with the cooperation of the Hellenic Fund for Entrepreneurship and Development S.A. (thereafter HFED)[42] and operated during 2011-2016. The public advanced the amount of 460 million from sources of the European Regional Development Fund (ERDF) in the framework of the co-funded Operational Programme for Competitiveness and Entrepreneurship 2007-2013. The budget was later on increased by 80 million in 31 December 2012[43] and by an additional 5 million, from the Public Investment Programme Budget, in 21 March 2014.[44]

A distinct feature of this type of financial instruments is that, when SMEs successfully pay their loan installments (regular payments), money

42. Official Government Gazette, FEK B 1697/27 October 2010
43. Official Government Gazette, FEK B 3466/28 December 2012
44. Official Government Gazette, FEK B 723/21 March 2014

returns to the Fund for similar use, increasing the Fund's available capital. A successful, efficient and timely allocation of the Fund's budget could potentially double or triple the available public funds to be disbursed to SME, reaching a potential from 1 to 1.5 billion.

As is shown in figure 2 below, several actors were involved in the Fund's sources of funding, policy decisions and management. The European Commission allocated funds from European Structural and Investment Funds (ESIF) to the Managing Authorities which act under the supervision of the Ministry for Development. The Managing Authorities allocated these funds to the HFED which used them to establish several funds[45] such as the Fund we examine here.

The Investment Committee played a substantial role regarding the management and policy of the Fund. It consisted of seven members. Four of them were representing the public sector (Chair, Vice-Chair and two experts nominated by the Minister for Development and Economy). It is noteworthy that Chair (General Secretary for Industry) and Vice-Chair (General Secretary for Public Investments) represented the political hierarchy, while the other three members were SMEs and banks representatives.

The participation of representatives from the public and the private sector was considered appropriate to take into account the positions of all stakeholders during the planning and monitoring of the implementation of the Fund's actions. In addition, it has given a glare of democratic legitimacy to the Investment Committee. Although the public had the majority in terms of participation in the Investment Committee, banks played a fundamental role in implementing the Fund's actions because without them the whole procedure for the provision of loans would be impossible. Furthermore, banks acted as external actors[46] to represent their coherent interest group and took advantage of their expertise in financing in order to

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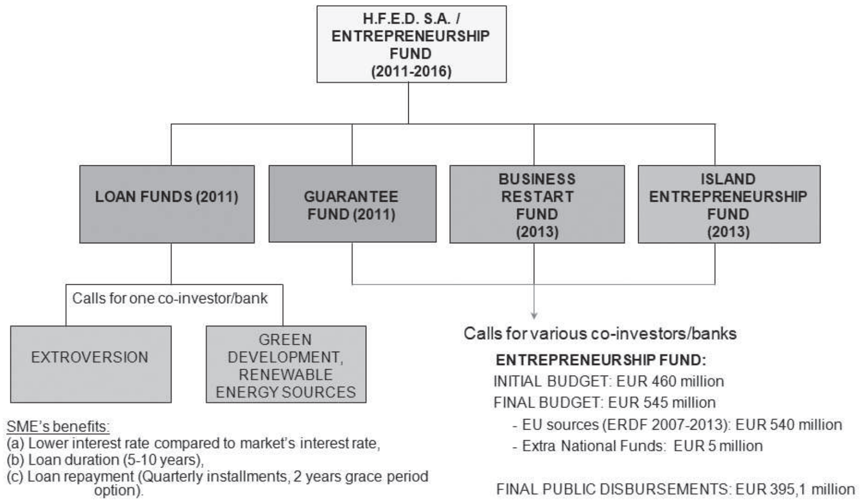
45. Apart from the Fund, during the period 2007-2013 (which extended to 2015 under the n+2 rule), the Greek Government in cooperation with HFED SA established under the latter's umbrella the following funds: the Energy Saving Fund using ERDF sources as well, the Agricultural Fund using European Agricultural Fund for Rural Development (EAFRD) sources and the Marine and Fisheries Fund using European Marine and Fisheries Fund (EMFF) sources. For further information: www.etean.com.gr.

46. For more information regarding the actors which participate to public policy procedure see KIngton (2010) for the distinction between internal and external actors, Knill and Tosun (2012) for the distinction between public and private actors and Anderson (2006) for the distinction between formal and informal actors.

orient the internal actors of public policy and finally, the Fund's actions to what was more profitable for them (Howlett and Ramesh, 1995).

The Investment Committee had the administrative competence to create distinct sub funds ("Actions") with their own budget and conditionalities, after a formal proposal from HFED SA. These funds are presented in the following figure.

Fig 4 *The Fund's "Actions" in the period 2007-2015.*



Source: Authors.

At the end of the section we provide a concise timeline of all "sub funds" operations along with the progress of their budget utilization and a more detailed timeline is provided at the Annex. In general, we may divide the Fund's operation in two distinct periods. The first period may be defined as the "Loan Funds" period with six designed Actions and two Public Calls, starting from the establishment of the Fund to the major changes in Actions' terms and conditionalities in January 2013. The second period is marked by the launch of "Business Restart" Action.

First Fund period: First and Second Call Actions

The Fund issued its first Public Call in April 2011 (HFED, 2011) asking for co-investors for the provision of loans to SMEs (Loan Funds) in the following six thematic Actions; each Action had its own distinct allocated budget:

Action 1: General entrepreneurship,

Action 2: Technology development, Regional coherence, Integrated Multiannual Business Plans, Networking,

Action 3: Youth Entrepreneurship,

Action 4: Extroversion,

Action 5: Renewable energy sources, alternative tourism and recycling and

Action 6: Innovative entrepreneurship.

The total public funds designated for the first Call were 400 million which, combined with private funds, were designed to reach a total of 1.2 billion (co-financing ratio 1:2). The general declared scope of the Actions was the provision of loans with low interest rates for investment plans. The provision of working capital was not allowed,[47] therefore all Actions were designed to provide exclusively investment capital. This in turn meant higher minimum loan amount and loan duration. This condition was the first of many to be revised before the Actions' completion.

To that end, the first two of the above Actions were designed for investment plans that would also receive approval for funding from national sources under Investment Law no. 3908/2011. This condition, on the one hand earmarked the allocated funds for business plans that would be able to receive credit approval easier, while on the other hand, excluded other possible eligible enterprises in the relevant activities. This restriction by design was also detrimental to the efficient and timely allocation of funds because it conditioned the approval of loan on the outcomes of a totally independent procedure which did not go as planned and ex post can be identified as a point of failure.

After the evaluation procedure, each one of the four systemic banks participated as co-investor in only one Action with the exception of one bank which participated in two Actions. This arrangement by itself conditioned the disbursement of funds of each Action on the capacity of a single bank and furthermore, it created possible points of failure in regional or local level in cases where bank branches might not be able to deliver. It is also questionable whether it distorted competition in favour of the banking

47. Financing of working capital was not allowed under Article 44 of Council Regulation (EC) No 1083/2006, European Commission (2011:17).

sector. Ex post, this turned out to be another impeding factor to the efficient allocation of funds.

Since public funds' fraction of loans was provided interest-free, the weighted average interest rate was determined by what each participating co-investor agreed to offer. According to the Call, the offered interest rate by financial intermediaries could not exceed the threshold of 7%; under the 1:2 co-investment ratio, the weighted average interest rate would by definition be equal or less than 4.67%.

Note that there was no investment interest on behalf of banks for Action 2. Thus, right from the start, 100 million were unallocated despite the fact that the banking sector was officially represented in the Fund's Investment Committee and has played an active role in designing the Call. Given that 60 million were left unallocated on purpose, this sums to 160 out of 460 million, i.e. a 35% of the funds remaining unallocated to any Action and idle.

In order to address this challenge, on the 1st of August 2011, the Fund issued a second Public Call (HFED, 2011) addressed to Greek Financial Intermediaries for Action 2, allocating 100 million, with similar conditionalities as the previous ones and with 1:2 co-financing ratio. Still, banks showed no interest.

Since the second Call was also unsuccessful, already one year after the establishment of the Fund, five financing and co-investment agreements were signed on 28/09/2011 and the effective implementation of the five "loan funds" began with a total public budget allocation of 300 million. Adding banks contribution, the Fund's capital was designed to reach 900 million. The agreement included a provision to adjust the budget if needed by 30% after 2 years of the signing of the Financing Agreement.

Besides the scope of economic activities, a major differentiation in the conditionalities of the Actions can be seen by examining the minimum and maximum loan amount and its duration. In the following table the aforementioned Actions and their conditionalities are presented. The fact that the Calls were signed 5 months after being published and with limited interest from the banks was an early warning signal of the Fund's challenges.

The weighted average interest rate was in most cases almost at the upper eligible limit of the Call and ranging from 220 to 300 basis points below the national average market rate during 2011-2013 period (OECD, 2019). Additionally, the loans would be provided with a 5-10 years repayment period, quarterly installments and the option for the provision of a two-years grace period. This agreement would be beneficial for the banking sector

Table 1 *First and Second Call Actions, "Loans Fund", October 2011 effective launch rate.*

Actions' index in Calls and Title	Initial Budget mil €, public/ total	Banks	min-max amount, thou-sand €	min-max duration years	weighted average Interest rate	adminis-trative fee
1. General Entrepreneurship	100/300	Alpha Bank	50-800	5-10	4.40	900
3. Youth Entrepreneurship	30/90	National Bank of Greece	30-300	5-10	4.33	1350
4. Extroversion	70/210	Eurobank	50-500	5-10	4.23	800
5. Thematic Tourism, Green Infrastructure, Renewable Energy	50/150	National Bank of Greece	50-500	5-10	3.67	1000
6. Innovative Entre-preneurship, Supply Chain, Food, Drinks	50/150	Piraeus Bank	50-500	5-10	4.53	150
Total	300/900	4				

Source: HFED SA Reports, available at the Directorate for the Support of SMEs (DS SMEs)

as well, since risk sharing with the public sector would reduce the risk at least by one third, while the interest rate for the bank would be close to the market rate during that period.

Due to Actions not being actively implemented after six months, HFED requested several adjustments to the Actions' terms and conditions as well as their budget, in April 2012. After the necessary legislation procedures were completed[48] there was a major overhaul of the Actions on January 2013.

Accordingly, the Fund's budget was adjusted so that three out of five Actions (1, 3 and 6) were effectively closed by administrative decision and the only Actions that continued to operate where 4 and 5. Actions 1 and 3 that were designed to support business plans approved under the Investment Law have been considered to be unsuccessful because there was significant delay to approval of plans under this Law.

According to HFED SA reports, the Actions could not be implemented and the funds could not be absorbed due to weak demand from eligible

48. Official Government Gazette, FEK A 237/05.12.2012.

SMEs for investment loans at that period. This assessment is debatable and does not suffice to explain why Action 6 was closed in cooperation with the participating bank eight months before its contractually agreed end, instead of being modified as was the case for Action 4. Even more so, this does not explain why Action 5 was evolving as planned and had already received 524 applications and had approved 374 loans by December 2012, as is shown in the following table.

Table 2 *1st Call Actions' Loan applications, approvals and disbursements, 31/12/2012*

Action	Applic/ns number	First phase Approved loans			disb/ments to SMEs
		number	mil. euro	% of Actions budget	% of Actions budget
1. General Entrepreneurship	0	0	0	0	0
3. Youth Entrepreneurship	0	0	0	0	0
4. Extroversion	8	8	2.361	1.12	.08
5. Thematic Tourism, Green Infrastructure, Renewable Energy	524	374	75.82	50.6	12.57
6. Innovative Entrepreneurship, Supply Chain, Food, Drinks	14	3	0.304	0.09	0
Total	545	385	78.5	8.72	4.14

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

Even more, in order to facilitate the implementation of the remaining two Actions, working capital loans were allowed for the Fund's Actions.[49] This change on the one hand, increased the possible number of SMEs that would apply for a loan but on the other hand constituted a shift in the long-term development goal of the Fund, towards short-term loans.

Additionally, the co-investment ratio changed to 1:1, for all Actions, except for Action 5. The 1:1 co-investment ratio meant the interest rate for SMEs would be less than 3.18 for Action 4 and the participating bank would share half the risk with the public. Action 4 was not modified in terms of budget and co-investment ratio. Yet, despite such drastic changes in Actions' 4 and 5 terms, it was decided that Actions 1, 3 and 6 should be closed.

49. Working became eligible under certain conditions (EC 2012:18).

The results of the 1st Call Actions are quite controversial. Only Action 4 and 5 were partly successful since a small number of SMEs received loans for their business plans. In contrast, Actions 1, 3 and 6 may be considered as failures. In the following table, we present the adjustments to first Call Actions and their final results in terms of public funds disbursements.

Table 3 *Entrepreneurship Fund's actions, adjustments and final results.*

Actions, adjustments and results	Public budget, mil. €		co-investment ratio		Loans Funded to SMEs, € milion, public expenditure /total	% of initial public funds disbursed to SMEs
	Initial Oct 2011	Final Feb 2013	Initial Oct 2011	Final Feb 2013		
1. General Entrepreneurship	100	5	1:2	1:1	5/10	5%
3. Youth Entrepreneurship	30	3	1:2	1:1	3/6	10%
4. Extroversion	70	70	1:2	1:1	43.8/87.6	70%
5. Thematic Tourism, Green Infrastructure, Ren. Energy	50	50	1:2	1:2	24/72	48%
6. Innovative Entrepreneurship, Supply Chain, Food, Drinks	50	5	1:2	1:1	5/10	10%

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

Important conclusions may be drawn by monitoring the process of the Actions' implementation. Action 5 was the only one implemented right from the beginning and an important factor is the fact that the weighted average interest rate that an SME had to serve was a fixed 3.67%, while the bank would receive for the principal capital a rate of around 5.51% (1:2 co-investment ratio) which was around the current market ratio. In only thirteen months of implementation, Action 5 managed to absorb almost 50% of its budget, implying that it was destined to cover the whole of the budget in the two-year Agreement period. By examining the large difference in interest rates among the first Call Actions, it can be argued that the lower interest rate incentivized SMEs to undertake investment activities and apply for a loan. This rapid absorption of the Action's funds discredits the 'week demand for investment loans' hypothesis.

Still, by examining the number of new applications and new loans approved it can be shown that the active implementation of the Action was abruptly discontinued when Business Restart was launched in March 2013. Actually, from its effective launch and during the whole 2012 Action 5 received almost 520 requests for loans in thirteen months, which means almost 40 per month. On the contrary, new requests and approvals for loans decreased dramatically during the first three months of 2013, reaching an average of 4 loans per month for the whole of 2013. In the end, the results of this Actions in terms of signed loans, were below what was initially approved one year before its closure, as is evident by examining the relevant tables (tables 2 and 3).

In fact, there is no macroeconomic logical explanation for this abrupt stop such as a shift in economic conditions or in demand for these investment loans. The participating bank in Action 5 stopped receiving new applications and approving new loans in March 2013, just after the launch of "Business Restart" with more favorable conditions and less risk for the banks involved, pointing to the hypothesis that the bank purposefully decided to allocate its resources to the new Fund. How much more favorable for the banking sector was "Business Restart" will be shown in the relevant section.

To sum up, it is far from brave to argue that the prospect of the policy was constrained by the ability or the intention of the participating bank to implement it. As a result, more than 50% of the Actions' budget did not reach its goal to support SMEs and remained idle for more than two years.

Similarly, Action 4 provides as well more evidence to support the hypothesis that the active and successful implementation of an Action depended on the participating bank. The Action was practically inactive until its terms changed, receiving only a handful of applications from November 2011 to March 2013 (17 months). Then, after April 2013, its implementation practically took off and was the only of the 1st Call Action that could be considered a partial success. Its successful implementation began alongside with the new "Business Restart", a fact which provides evidence that the two Funds where not mutually exclusive. The Action received an extension for a total of 22 months and the deadline for receiving applications, approving and signing new loans was agreed to be the 31st of July 2015. A reason this 1st Call Action was more favorable to the participating bank than other 1st Call Actions has to do with the fact that after the change in the Actions' terms, the bank was charging a relatively higher interest rate than the other

Actions, which was a fixed interest rate of 6.38% for the whole duration of the loan. This rate was significantly higher than the market interest rate in 2014 and 2015, despite the 50% risk sharing with the public sector.

This Action is unique since it was the only one of the first Call which was extended beyond the two-year Agreement period and managed to disburse to SMEs a 70% of the initial public budget. The Action reached a total implementation of 45 months, of which it was actively implemented for around 22 months (April 2013 to January 2015). That is because the Action while continued receiving new applications until the 31 of July 2015, the number of signed loans were below the January 2015 number. In January 2015, in a similarly abrupt manner to Action 5, it started receiving on average 2 applications per month while the number of signed loans did not increase at all and was reduced slightly. This fact provides supporting evidence to the hypothesis that the banking sector has its own set of goals and may not be fit to facilitate public policy goals efficiently. Similar conclusions can be found by examining the rest of the Fund's Actions.

As a first conclusion from over two years of the Fund's operation (establishment to January 2013) we have to note that 160 out of 460 million, i.e. a 35% of the funds remaining unallocated to any Action and idle. Even worse, by the end of 2012 only 4% (19 million) of the Funds's sources had been disbursed to SMEs for that period, despite that fact that 300 million had been allocated and available for loans since April 2011. This provides significant evidence of the inability or unwillingness of the banking sector to effectively implement those Actions, despite strong demand for investment loans as Action 5 proved and Action 4 proved in the following year. It can be argued that this inability or unwillingness was the cause for year long delays, lags and deferment in SME funding.

Second Fund Period: Calls 3 to 6

3rd Call, Guarantee Fund

In March 2012 the Fund issued a third Public Call to establish a Guarantee Fund for the provision of guarantees for SMEs (HFED, 2012). The Guarantee Fund was designed as a first loss portfolio guarantee fund with an initial target of 450 million. Public sector would offer 150 million and the banks would provide the rest (co-investment ratio 1:3). The maximum amount of defaults paid by the Guarantee Fund could not exceed the amount of 120 million.

Despite initial expressed interest from 14 banks, the Guarantee Fund Agreements were signed after a major reduction in the public budget by one third (50 million out of the initial 150 million) and a drastic adjustment of its conditions to accommodate the banks' requirements and in the process of implementation the leverage coefficient changed to 1:1.2 (public:private).

Nevertheless, the relevant Agreements were signed a year and three months after the Call, with only 4 banks. Even worse, in fact, only one bank undertook active implementation of the Action. In the end, public sector's participation reached 30.5 million and the private sector provided an additional amount of 36.6 million. As a result, 150 million (one third of the initial earmarked budget) were left unallocated for more than a year and a half and around 20 million were never disbursed to SMEs. The active participation of only a single bank in the Guarantee Fund is another clear manifestation of the inability of the banking sector to efficiently allocate public resources for development goals. "Guarantee Fund" started its operation in June 2013. It is noteworthy that during the second semester of the year 262 requests for loans for the implementation of business plans were submitted. A fact that shows a significant interest by Greek SMEs to find resources to finance their development and extroversion plans during the period of crisis. That is despite the high interest rate the SMEs had to pay which on average was 7.34% for 2014 and 7.27% for 2015.

4th Call, Business Restart Fund

The Investment Committee, taking into consideration HFED's proposal and in consultation with the banking sector, decided in January 2013 to cancel the aforementioned unsuccessful loan Actions and reallocate resources to a new Fund, focused mostly on the provision of working capital loans. The Call was the birth of the action "Business Restart" in February 2013 (HFED 2013). This Action allowed banks to join the Action by signing an Agreement at any time they wished to, but that was not really necessary since the banking sector embraced the Action with enthusiasm right from the beginning to its end. It took only one month after the Call's deadline for applications to get thirteen Agreements signed in mid-April 2013. Loan applications opened in the second semester of 2013. As a result of

Table 4 *Average interest rate for new loans, by Action and SMEs in Greece in general*

Category of loans, Actions	31/12/2014		31/12/2015	
	Cost rate for SMEs	Banks' rate	Cost rate for SMEs	Banks' rate
4. Extroversion	3.19	6.38	3.19	6.38
5. Thematic Tourism, Green Infra-structure, Renewable Energy	3.67	5.51	3.67	5.51
Guarantee Fund	7.34	n/a	7.27	n/a
Business Restart	5.27	10.54	5.13	10.26
Island Entrepreneurship	2.38	0	2.47	0
new loans below 250,000 euros, short term, Greece	6.11 - 5.59			
new loans below 250,000 euros, > 5 years, Greece	5.23 - 4.13			

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

unprecedented demand, the allocated public budget was very fast adjusted higher to 275 million under a co-investment ratio of 1:1, so the total funds were designed to reach 550 million.

The Action was designed with two sub programmes in order to finance two types of loan: first, loans between 10,000 - 800,000 euros for business plans with loan duration between 5 - 12 years and an option of a grace period from six months to two years; and second, loans between 10,000 - 300,000 euros for working capital for development reasons with a duration from 1 to 4 years.

Contrary to all other Actions, "Business Restart" has been portrayed as a total success. In 27 months of implementation (July 2013 to September 2016) 4,423 loans were signed with SMEs and the amount of signed loans reached 567 million, exceeding the initial budget. It is important to examine why it made it so well, especially keeping in mind that the launch of this Action coincided with the abrupt effective deactivation of others.

A simple and straightforward explanation for the increased banking sector's interest can be found by comparing the average interest rate that SMEs were facing and banks were charging in each Action. The interest rate for "Business Restart" loans could be either fixed or floating and should be agreed on a case by case basis with the bank. This meant that interest varied for SMEs, in relation to their credit ranking and the duration of the loan. While long term loans had been issued with interest rate cost for SMEs at the 3.5% range, the weighted average of “Business Restart” loans was above 5%, which implies that the interest rate that the banks did charge for their capital was above 10%, as is presented in the following table. The high interest rate for SMEs is a result of the fact that 73% of “Business Restart” loans were short term working capital loans, which is another manifestation of the shift in the Fund goals from long term to short-term needs.

Successful implementation in absorbing “Business Restart” funds shows that the banking sector facilitated this Action at a cost. First, the average cost of financing for SMEs was only slightly lower than the market interest rate and a great deal apart from what the rate of 50% co-investing of public funds should imply, as was the case of Action 5 and Action 6 of the 1st Call. The high financing cost for SMEs seems even more costly if we take into account the 50% risk sharing with the public sector. Secondly, there was a disorientation of the Fund resources towards short-term working capital loans; the latter, albeit necessary they are more costly and have a lower developmental impact.

5th and 6th Call: Island Entrepreneurship and Kefalonia Support

Another Action designed with high expectations and budget but which nevertheless failed to deliver was the “Island and Tourism Entrepreneurship Fund”. The initial public budget was 80 million and it focused on the provision of microloans up to 19,500 exclusively to micro enterprises in the tourism sector or those which were located in Greek islands. Capital was placed only by the Fund so the co-finance ratio was 1:0. In this case, co-investors were the beneficiaries; 70% of each loan was offered by the Fund and 30% by the micro enterprise. The Call was published in April 2013 (HFED, 2013) aiming to provide micro loans with an interest rate of 2,8% or 0% for SMEs in islands counting fewer than 3.100 residents. Only four Banks, two systemic and two cooperative ones, participated in the Action, while only three implemented it in practice.

Moreover, in 2014 the Fund supported SMEs situated in Kefalonia Island and damaged by the earthquake of January 2014; the Fund would provide micro loans (3,000 - 19,950 Euros) aiming at damage restoration with zero interest rate and loan duration between 4-10 years.

In the end, the “Island and Tourism Entrepreneurship Fund” provided

1,480 micro loans totaling 35,1 million, when the initial budget was 80 million. It seems paradoxical that, while the program was financed entirely from public funds, it ultimately failed to absorb the original amount and lending was much lower than designed. Given that almost one fourth of the loans covered the needs of Kefalonia, it is clear that the results of the action were unsatisfactory, since more than 50% of the budget never reached the SMEs.

Dancing to the Tune of the Banks

An overall glance in SMEs financing (see Table 5 below), shows that total public funds finally allocated to the Fund in 2016 (closure year) were only 0,86% of the outstanding SME loans in the same year. Moreover, if we add private sources invested by banks, we find that total funds allocated to SMEs were only 1,7% of the total outstanding SME loans in 2016. Indeed, both indexes point out that state's intervention through the Fund can be described as imperceptible to the real economy. It was also very modest in relation to the number of SMEs which ultimately benefited, accounting for only 0,95% of the total number of SMEs in Greece. All in all, the size of the intervention was too small to alleviate the financial asphyxia of small business.

Table 5 *Entrepreneurship Fund Financing Impact.*

Impact Indices (2016)	Data (2016)	Index, %
Public EF Funds disbursed / Total Loans Outstanding to SMEs in Greece	417.180.143 /48,4 bil. €	0.86%
Total EF Funds (public+FIs) disbursed / Total Loans Outstanding to SMEs in Greece	829.341.597 / 48,4 bil. €	1,7%
Total EF signed agreement loans / Number of SMEs in Greece	7627 /800,000	0,95 %

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

Having said that, we move on to comment on the course of all Actions after their completion. The most successful one in terms of loan volume (4,353) and disbursement amount (460,2 million) was "Business Restart". Furthermore, it succeeded to attract the biggest amount of public and private money directed mainly to working capital loans with low interest rate, actually half of the market's because of the co-investment ratio 1:1. The action became successful because: (a) it covered the short-term needs of SMEs during the particular period of the economic crisis, (b) the implementation of business plans by SMEs even if it could be characterized by a certainty because of a state-aid programmes' approval, was not what SMEs really wanted those years, (c) the benefits of lending were substantial (low interest rate), (d) the benefits to the banks were significant too (customer retention and/or growth). Actually, it worked as a strong medication for SMEs in the short term to heal their disease because of lack of finance but it had low growth potential. Precisely, working capital, as is determined by the difference between an enterprise's cash and current liabilities, in the first place scopes to cover short-term shortfalls and unexpected costs while sometimes works as a safety net and secondly is used for growth (Brassell and Boschmans, 2018).

On the other hand, although "Extroversion" and "Thematic Tourism, etc." were designed in the midst of the crisis, showed positive results but closed far from their initial budget. Actually, although they presented low levels in terms of loan volume, both actions resulted higher average loan amounts (see Table 6 below). Note that Action 5 was the only one with a co-investment ratio 1:2.

Table 6 *Comparison of Entrepreneurship Fund's Actions.*

Five effectively Implemented Actions, out of eight launched	Average Loan Amount (euro thousands)	Number of signed Loans	Months of active implementation	Initial budget allocated, %
Extroversion	391	223	22	70%
Them. Tourism, Green Infrastructure, Ren. Energy	204	371	13	48%
Business Restart	110	4423	27	100%
Guarantee Fund	106	1106	27	61%
Island Entrepreneurship	22	1504	27	44%
TOTAL Entrepreneurship Fund	105	7627	51	93%

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

The above two actions constitute successful examples of financial instruments focused on certain actions of economic activities such as extroversion, renewable energy sources, thematic tourism and recycling, in contrast to other state-aid actions - both grants and financial instruments -

planned horizontally without specific attention to certain needs of SMEs in various sectors. The reason for horizontal planning is the necessity to comply with the state-aid rules in the framework of EU Cohesion Policy and Competition Policy but without special attention to cover the real needs of SMEs in accordance with their development stage.

Table 7 *Concise Timeline of Entrepreneurship Fund Actions.*

Date	Fact	Total Budget mil. €	Allocated mil. €	Unallocated % total budget	Undisbursed funds % total budget
Oct. 2010	Establishment	460	0	100	100
29/04/2011	1st Call	460	0	100	100
01/08/2011	2nd Call	460	0	100	100
28/09/2011	Five 1st Call Agreements	460	300	34.8	100
12/03/2012	3rd Call: Guarantee Fund	460	300	34.8	95.9
15/01/2013	Major Budget & conditions adjustments	540	133	75.4	98.5
06/02/2013	4th Call: Business Restart	540	133	75.4	98.5
End of "first period" of Entrepreneurship Fund: October 2010 - April 2013					
17/04/2013	13 Business Restart Agreements	540	408	24.5	96.6
31/05/2013	4 Guarantee Fund Agreements	540	458	15.2	96.4
05/06/2013	5th Call: Island Entrepreneurship	540	525	2.8	96.4
Oct. 2013	Closure of Actions	540	499	7.6	89.5
28/03/2014	6th Call: Kefalonia support	545	499	8.4	60
31/07/2015	4th Action Closure	545	432.8	20.6	31.3
24/11/2015	Extend deadline to 30/09/2016	545	432.8	20.6	30
31/12/2015	Free 168 m.	417.2	417.2	0	30

Source: HFED SA Reports, available at the DS SMEs, authors' calculations.

It should be noted that the implementation of programmes funded in the framework of EU Cohesion Policy faces serious bureaucratic obstacles that prevent rather than facilitate SMEs access to finance. This paper does not examine such obstacles which are included to a wider discussion about the implementation of the European Structural Funds in the framework of Cohesion Policy but tries to focus on issues regarding the designing of financial instruments in the context of public policy to facilitate SMEs access to finance.

Conclusions

The evaluation of the Fund's Actions led us to insightful conclusions. First, the total budget of the Fund, including the contribution of the banks was insufficient compared to the contemporary financial gap and the corresponding collapse of credit. On top of that, one third of the budget was finally not allocated and used at all. Additionally, there were considerable delays from banks in absorbing and allocating the capital that was finally disbursed. In other words, an already weak intervention was further sabotaged by banks in the process of implementation.

Second, and despite risk sharing, the cost of finance was kept high. Small business was facing somehow modest interest rates only because public money was at zero interest rate, while the banks set rates close or even higher than the market rates. This resulted in further distortions in the market.

In the process of the Actions, banks supported with enthusiasm the turn in direction from investment to working capital loans. This coincided with their constraints for cash-in-hand and the general trend towards short-term lending during a capitalist crisis. It also allowed banks to raise the interest rate, taking advantage of the thirst of the market for money to pay current obligations. But that is not all. Banks terminated other Actions in favor of Business Restart, which was so fitting for their interests of the time. Therefore, they did not allow for investment projects to evolve, undermining further the main purpose of the Fund.

It should be clear by now that taking away the responsibility of planning and monitoring from the Public Authority will diminish further the performance and the effect of financial instruments. Instead, planning and surveillance should be made from a special department of the Ministry of Development, subject to democratic control by the parliament and, potentially, by the people. That proposal would allow for coordination of all complementary policies, long-term perspectives and targets and the construction of the legal framework and imposition of policies for the benefit of small scale capital, against monopolies.

The size and allocation of the Funds should stand at a critical level for particular diagnosed failure, by size of firms with priority to small and very small enterprises. Actions should be focused based on the financial needs, in terms of size, space, sector, or particular economic contingency.

Yet, the major problem would still be the implementation of this policy which should exclude the major source of the problem that is addressing, that is banks. Another, exclusively public financial institutions should take over this responsibility. This might seem very provocative for the power that banks and big capital enjoy, but until that day all policies aiming at the support of small scale capital will carry the sperm of failure. Put differently, these policies will succeed only to the degree that they primarily satisfy the interests of banks and big capital.

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ANNEX

Data Regarding the Actions of the Entrepreneurship Fund[50]

Table 8 *Results of the initial "Loan Funds"*

Action	Contracts	Number of disbursed loans	Total disbursements	Average loan amount	Deadline
Extroversion	223	222	85.893.588,00	391.318	31/7/15
Green Development	371	361	70.002.519,00	204.115	30/9/13

Table 9 *Results of the "Guarantee Fund"*

Applications	Approvals	Rejection rate	Contracts	Rejection rate	Number of disbursed loans	Total disbursements	Average loan amount	Deadline
1.268	1.212	4,44%	1.106	8.33%	1.106	EUR 96,4 m.	105.818	31/10/2016

Table 10 *Results of "Business Restart"*

Applications	Approvals	Rejection rate	Contracts	Rejection rate	Number of disbursed loans	Total disbursements	Average loan amount	Deadline
4.825	4.501	6,27%	4.423	8,33%	4.353	EUR 460,2 m.	109.722	31/10/2016

Table 11 *Results of "Island Entrepreneurship"*

Island Entrepreneurship Fund	Applications	Approvals	Rejection rate	Contracts	Rejection rate	Number of disbursed loans	Total disbursements	Average loan amount	Deadline
	1.781	1.513	15,05%	1.504	15,55%	1.480	EUR 31,0 m.	21.755	31/10/2016
Kefallinia's SMEs damaged by Jan 2015 earthquake				537		472	EUR 9,2 m.		

50. Source: Authors' calculations according to HFED Reports data available at the Directorate for the Support of SMEs, Ministry for Development and Investments, Greece.

Table 12 *Detailed Timeline of Entrepreneurship Fund Actions*

Date	Fact	Budget mil. €	Allocated mil. €	Unallocated mil. €	Unallocated %
Oct. 2010	Establishment	460	0	460	100
29/04/2011	1st Call	460	0	460	100
01/08/2011	2nd Call	460	0	460	100
28/09/2011	Five 1st Call Agreements signed	460	300	160	34.8
Oct. 2011	Prepare Guarantee Fund	460	300	160	34.8
14/12/2011	COCOF allows working capital loans	460	300	160	34.8
12/03/2012	3rd Call: Guarantee Fund	460	300	160	34.8
25/04/2012	HFED requests Actions budget adjustment	460	300	160	34.8
31/12/2012	Increase budget by 80 mil €	540	300	240	42.8
15/01/2013	Major budget & conditions adjustments	540	133	407	75.4
06/02/2013	4th Call: Business Restart	540	133	407	75.4
End of "first period" of Entrepreneurship Fund: October 2010 - Apri 2013					
17/04/2013	13 Business Restart Agreements signed	540	408	132	24.5
31/05/2013	4 Guarantee Fund Agreements signed	540	458	82	15.2
05/06/2013	5th Call: Island Entrepreneurship	540	538	2	0
17/09/2013	Closure of Actions 1, 3, 6	540	525	15	3
28/09/2013	5th Action (Tourism, Energy) Closure	540	499	41	7.6
21/03/2014	Increase budget by 5 mil €	545	499	46	8.4

28/03/2014	6th Call: Kefalonia support	545	499	46	8.4
27/06/2014	6th Call Action closure	545	499	46	8.4
31/07/2015	4th Action (Extroversion) Closure	545	432.8	112.2	20.6
24/11/2015	Extend deadline to 30/09/2016 for 3 Active Funds	545	432.8	112.2	20.6
31/12/2015	Free 168m	417.2 (revenue included)	417.2	0	0

Table 13 *Actions, terms and conditions*

TEPIX Action	Loan amounts (in €)	Loan purpose	Initial co-investment - Co-efficient rate between TEPIX and banks	Initial loss coverage by TEPIX	Loan duration	Interest rate	Fee
Loan Funds	30.000 - 800.000	Business plans implementation	1:2	33,3%	5-10 years	Stable	Depending on Financial Intermediary proposal
Guarantee Fund	10.000 - 800.000	Business plans implementation - Working capital	1:3	50%	5-10 years for business plans, 24-36 months for working capital	Stable or floating	(a) Guarantee's fee: 0,4% - 0,5% annually, (b) lump sum of guaranteed loan <= euro 2.000

Business Restart	10.000 - 800.000	Business plans implementation	1:1	50%	5-10 years for business plans, 24-36 months for working capital	Stable or floating	Lump sum of guaranteed loan euro 100 >= and <= euro 2.000
	10.000 - 300.000	Working capital					
Island Entrepreneurship	10.000 - 30.000	Investment and working capital for micro enterprises only	1:0 (70% of loan by TEPIX - 30% by micro enterprise)	-	4 years	2,8% or 0%	No fees.

SOCIAL ECONOMY AND CAPITAL IMPROVEMENT AND EU STRUCTURAL FUNDS: SOCIAL ENTREPRENEURSHIP AS A FRAMEWORK FOR STAKEHOLDERS' SYNERGIES, EMPLOYMENT CREATION AND CORPORATE SOCIAL RESPONSIBILITY

Evangelos Taliouris, and Stylianos-Ioannis Tzagkarakis

Introduction

Social inclusion and cohesion became a major political issue during crisis in Europe and Greece, due to the negative socioeconomic impacts in socially vulnerable groups (e.g. young people, women e.t.c.). The main development pillars in Greece were always the public and the private while the third, which is referred to social economy and entrepreneurship is mainly concentrated at primary sector. According to Commission report (2013), Social Economy creates employment in Europe and it has an interesting institutional tradition in economies and societies, whilst within crisis period it has linked with other policy realms such social inclusion policy initiatives as well as corporate social responsibility.

Moreover, the tradition and experience in social economy activities in particular primary sector and manufacturing, provides significant potentials in creating a knowledge transfer in tertiary sector, which concentrates the greater part of economic activities and employment. In Greece, the usage of European Social Funds 2014-2020 was linked politically with social economy through the Investment Target 9 for social inclusion and associated also with social innovation and social entrepreneurship startups. Moreover, social entrepreneurship seems to be the mean for employment creation both in public sector (e.g. services) and private sector (e.g CSR) under a multistakeholder governance perspective at regional level.

This paper is based on a qualitative research analysis for ESFs' impact in social entrepreneurship initiatives that provide advanced synergies among stakeholders (e.g. Corporate Social Responsibility) and create employment and growth. The paper uses the method of theoretical investigation for social entrepreneurship and CSR terminology in ESFs policy making for the period 2014-2020 in Greece. The paper will elaborate in sum the topic of social economy in Europe and Greece as well, whilst will analyses the policy instruments that European Structural Funds in Greece used the period 2014-2020 (e.g. financial incentives, capacity building).

The method of literature review will be also used in order to analyze the institutional characteristics of social economy and the stakeholders' synergies. Moreover, the paper also uses the method of archive research in national documents for 2014-2020 and 2007-2013 (the so called "ESPA"- *National Strategic Reference Frameworks*) (2006; 2013) and evidence-based policy analysis to understand the political implications of sustainable development funding in topics such as social entrepreneurship in development activities especially in Investment Target 9 and Target 8. The issue of sustainability is crucial for social capital increase not only in terms of social networking but mainly because of the Sustainable Development Goals (SDGs) fulfillment by 2030 (e.g. those for climate change, education, employment) (Commission, 2016).

According to Social Europe Guide for Social Economy and Entrepreneurship (2013) of the Directorate European Commission, social economy relies on democratic decision-making processes, which represent a structural procedure to control the actual pursuit of the organization's goals. The institutional tradition of European Union and its social model rely on that type of organizations in order to achieve social cohesion. These organizations were neither actually public nor private, because the main purpose of these entities was and still is other than profit. In particular their goal is not only to generate financial gains for their owners, members or stakeholders but also to provide goods and services to their members or to the local community.

The social economy and entrepreneurship have a long tradition in Europe and its member states (since 19^{th} century) under the forms of co-operative enterprises, mutual societies, foundations and associations. The legal and policy framework sometimes differs among European states and this is an issue especially under the EU common policy framework for instance in European Structural Funds (ESFs). What is perceived social business or entrepreneurship in one member states might not be exactly the same at another member state, due to the different social models and institutional traditions (Espring-Andersen, 1990; Sapir, 2004; Eurofound, 2011). Therefore, the policy homogenization and legislation is an essential step towards social cohesion and efficient use of ESFs at member states level (EC, 2013a).

Greece has changed twice its legislation about the social economy and entrepreneurship the last ten years in order to adopt the changes and to have a more holistic approach towards the EU paradigm on social economy and related initiatives (Hellenic Republic, 2011; 2016; EP, 2017). The common terminology and definition on how analyze and present a policy topic, especially at operational level is essential because it might constitute a funding proposal eligible or not to an organization demand.

The initiatives of social economy appeared in France and widespread all over Europe in 19th century in parallel with the political discourse of democracy and governance issues that related with social capital and civil society (EESC, 2016; EC, 2013a; Borzaga and Defourny, 2004). The social businesses that time as well as related associations had an interesting characteristic in their institutional core, which was the democratic decision-making process. Although this characteristic seems reasonable in European Union (EU) nowadays, it was not in 19th century and the beginning of 20th century.

Moreover, this characteristic is associated with the initial responsible entrepreneurship actions in social care, clothing and shelter provision under the development of social capital and synergies among civil society, businesses and cooperatives (e.g. Quakers, farmers coops, labor unions) (Carroll, 2008; Taliouris, 2019; Taliouris, 2014). For instance, the Rochdale Equitable Pioneers Society was one of the first cooperative movement in Europe in 1844, when workers grouped in order to deal with harsh living conditions and inadequate consumer protection (EC, 2013).

Summing up, it is necessary to underline that European approach to social economy and entrepreneurship, which refers to the third sector of economy and organizations other than the public owned (the 'State') or the privates for-profit ones (the 'market'). The social entrepreneurship as a term is more business oriented and is closer to a more Anglo-Saxon perspective regarding the liberal market economy traditions, whilst refers to a broad range of activities and initiatives.

Governance which Fosters CSR in the Post-Crisis Era: The European Social Model through a New Perspective

Before the occurrence of the recent multidimensional crisis, the European Social Model had often been accused as one of the most significant contributing factors for economic instability. Such views, which gained wide acceptance, supported deregulation of economic and social interventional mechanisms of the state. Although crisis put into question the redistributive mechanisms of European welfare states, a more thorough look at the role that welfare states played during the crisis, is able to ensure for its importance in lessening the huge social consequences that crisis created.

From this point of view, the European Social Model, with its different cases and methods, can be generally considered as the most successful welfare model. For this reason the debate about its necessity should change direction and focus more on necessary changes and reforms that can increase its effectiveness, coverage and proper function. It is widely accepted that during the post-industrial era welfare states are not able to meet their objectives when they implement traditional-passive policies.

This means that it is necessary to address the emergence of new social risks and in order to achieve that, they need to implement a crucial restructuring of their policies. However, restructuring the welfare state should not lead to dismantling and further reducing its importance, values and provisions. In order to achieve a positive restructuring though, within the EU framework, further initiatives in the European level should be introduced. It turns out that the "one-dimensional" promotion of economic integration has created enormous obstacles in the implementation of social policies by national welfare states.

Thus, only if political integration is promoted, through the introduction of initiatives in the social policy level, then the preservation of the welfare model can be ensured. Towards that direction, it is necessary to understand the evolving policy nature of CSR in Europe, which according EU refers to business contribution in sustainable development. CSR can contribute to European Social Model sustainability as political topic, due to its implicit history and its links with European welfare state institutional tradition. Nowadays, CSR explicit dimension develops and it is pictured on member states policy formulation either independently or under traditional major political frameworks such as entrepreneurship or social welfare.

Therefore, some policy themes of CSR topic (e.g. in public procurement, social responsible investing, social reporting etc.) in combination with other policy initiatives (e.g. social entrepreneurship) can contribute to European Social Model sustainability under specific circumstances and careful consideration.

It turns out that CSR is also connected with several problems occurred by the economic globalization, which also lead to further crisis of the welfare institutions (Midttun, 2004) as well as the emergence of new forms of governance (Moon, 2002; 2004), the change of corporate, social and government relationships (Gribben et al., 2001) and the emergent corporate imperatives and new social demands (Zadek, 2007). On the basis of these changes, a new interdependent world seems to emerge and poses several new necessary developments. These incorporate a new vision of the European Social Model, which does not only require the top-down policies from the welfare state but also the active contribution of companies to society as well as a new context of relationship between the companies and the political actors which will, in a collaborative and synergetic manner, address the new challenges and problems (Taliouris, 2014; 2018).

Policy Making for Social Entrepreneurship in EU and Greece: ESFS, Social Capital and CSR

In European Union the policy making towards social entrepreneurship and cooperatives was associated with the Social Europe ultimate goal and the necessity for social cohesion among member states. Since the Treaty of Rome, the goal of European integration was connected not only to economic cooperation but also to the achievement of a cohesive a social and economic growth that would reduce inequalities and gaps among European countries. Another implicit reference to social economy and entrepreneurship was also the linkage with ESFs funding in cooperatives and other social economy initiatives during ‘80s. At the end of 20st century, the 1st Convention for civil society organized at European level, while the European Economic and Social Committee confirmed the important role of civil society organizations and their participatory model (EESC, 1999). In 2003 the EU Council adopted a Regulation of the Statute for a European Cooperative Society (SCE), whose aim was to provide legal instruments and to support the development of trans-national activities among cooperatives in case they wanted to group and access other markets, or to achieve economies of scale, or undertake research and development activities.

It is also important to notice at this point, that in EU one significant promoter towards social entrepreneurship funding was the 3rd period of ESFs in Greece 2000-2006. This financial aid took place under the form of capacity building, infrastructures and social inclusion policies through the EQUAL initiative (EC, EQUAL programme). This was one of the biggest European investments for the development of the social economy, and it was the innovative and experimental branch of the ESF during that programming period.

Later on, in 2011 social business and economy initiatives were associated with the Europe 2020 strategy and the Social Business Initiative as a form of economic and development activity (Commission, 2010). This initiative was a remarkable step and its main goal was to create across Europe a framework for social enterprises and social economy at large. As a result, it was associated financially with EU funds and ESFs period 2007-2013, whilst in 2013 the Social Investment Package was launched under the same financial instrument. This package was focused on both growth and cohesion among member states and regions on social economy and its practice (Commission, 2013).

What is interesting at this point is the overall policy objective of these initiatives, which were focusing on employment creation, social inclusion and synergies development among public, private and third pillar as well. In 2014, the Social Innovation Programme started under contemporary ESFs period 2014-2020, which is focusing on new ideas (e.g. social business startups) that meet social needs, create social relationships and new form of collaborations (EC, 2013b; 2013a; 2016; EU, 2013). These innovations could be products, services or models that respond to new needs more effectively. Under this programme, the European Commission's objective was to encourage market and social economy as well to set up innovative solutions and stimulate employment.

At this point, it is highlighted the connection with other EU policy realms such as CSR as a mean that changes corporations behavior in socioeconomic risks through synergies with institutions from social economy, but also state if we assume the social responsible public procurement refers directly to that type of synergies and it is also a CSR policy instrument according the EU report for CSR public policy in EU (2011; 2007; 2014), the renewed strategy for CSR in 2011 and the Social Business Initiative (Commission, 2011).

According to EU Commission and the Directive of Internal Market, Industry, Entrepreneurship and SMEs, the social entrepreneurship and social economy at large has a significant share of European employment. For instance, in EU operating a large number of social economy enterprises, which represent the 10% of all businesses (EP, 2017). Furthermore, many people working in the third sector of economy and social economy enterprises (approximately 11 million, this number refers to 6% of EU work force). The forms of social entrepreneurship differ among member states and varies on topics such as agriculture, social services, employment creation and financial assistance.

From a civil society and social capital perspective, it is worth to be noted that approximately 160 million of citizen in EU are considered active members in the third pillar of economy and its institutions. According to SELUSI, which was a research project that funded by 7th FPP and focused on market behavior and organizational characteristics of approximately 600 social enterprises in EU (EC, 2013; SELUSI Project). The main outcome of this research was a database of a comprehensive sample, ideal for comparative policy analysis and benchmarking among social businesses because it pictured the number of the different sectors in social entrepreneurship across Europe. The identified sectors were: Social services (16.70%), Employment and training (14.88%), Environment (14.52%), Education (14.52%), Economic, social and community development (14.34%), Culture, the arts and recreation (7.08%), Health (6.90%), Housing (2.72%) Business associations (2.00%), Law, advocacy and politics (1.63%) and other (4.72%) (EC, 2013).

The social economy in Greece is not as developed as it is in other member states in EU; for instance, social economy accounts for between 9% and 10% of the working population in Belgium, Italy, Luxembourg, France or Netherlands (EC, 2013). The institutional tradition and the roots of social economy initiatives in Greece dated back to 19th century, and they were parallel with social capital and stakeholders' philanthropic synergies (Adam and Papatheodorou, 2010). Moreover, social economy in Greece is associated with primary sector to a large extent, because of the significant cooperative tradition since 19th century especially in rural areas (e.g. Epirus, Thessaly) and islands (e.g. Naxos, Crete, Lesvos). Current researches by Dianeosis (2017; 2019) think tank in Greece indicated that rural sector cooperatives' roots are deep and modernization steps are taken despite the difficulties (both operational and financial).

These researches provide significant information about the current situation in cooperatives and social economy in rural areas both in term of modernization and obstacles. A significant issue, that is underlined is the overconcentration of social economy at primary sector, while the current steps towards their modernization are significant because associate them with other developing sectors such as handicrafts, tourism etc. In Greece, a significant issue was also the weak harmonization with the European institutional setting of social economy and what is perceived as social entrepreneurship, business or cooperative. In 2011 and 2016, significant steps had been undertaken in Greece, which were focusing on the harmonization of national terminology with European standards as well as with ESFs criteria (Hellenic Republic, 2011; 2016). For instance, the regulative framework of 2011 was focusing on the connection of social entrepreneurship with CSR under social responsible public procurement.

The current Hellenic Republic legislation (4430/2016) for social economy and entrepreneurship, encapsulates the previous legislation and forms of social economy, whilst it defines social entrepreneurship. The latter refers to all economic activities, which are based on alternative form of organization in production, distribution and consumption and promote the principles of democracy, equality, solidarity, cooperation, and respect for human beings and environment. The institutional setting of social economy in Greece is mainly characterized by the cooperatives and social cooperative business (Adam and Papatheodorou, 2010). The cooperatives are refer mostly to the most popular ones those at primary sector (e.g. farmers' cooperatives, fishery, wood, rural), other civic cooperatives (e.g. cooperative banks or funds), the women cooperatives (mostly operates on rural activities, handicrafts, catering and tourism services) and the Employees' cooperatives. The social cooperative businesses are defined by the terms of social entrepreneurship and divided in categories such as those for Vulnerable Social Groups, Special Social Groups, Social cooperative business as Limited Companies, and those for Social capital and Sustainability.

The Ministry of Labor, Social Security and Solidarity through the General Secretary of social economy and solidarity have also developed a national registration scheme in 2016, a social impact mechanism, a national report, a list of policy proposals and the Platform for social entrepreneurship named KALO (General Secretary for Social Inclusion, 2018). The latter is a significant informative tool that is based on an IT platform and a research engine, which register and provide information of all the social business initiative in Greece in all sectors of economy (e.g. tourism, agro-food sector e.t.c.) (General Secretary for Social Inclusion. Platform, 2018).

These steps are essential towards the harmonization and cohesion with EU practice, institutional setting and ESFs period 2014-2020 in Greece, especially under the national operational framework of ESPA and other interregional programs such as Interreg. For example, the Interreg programme among Greece and Bulgaria 2014-2020 is interesting because it is called Action Plan for Social Entrepreneurship and focuses on social economy practices and policies towards social innovation and entrepreneurship (Interreg, 2014). Another important link with existing ESF framework is under the European Balkan-Mediterranean Programme (2014), which refer to "Green", "blue" and social economic development, particularly on benchmarking and redefinition of processes towards these businesses initiatives.

In conclusion, it is worth to be noted that in the National Strategic Reference Framework 2014-2020 (Hellenic Republic, 2013; 2014) two main Investment Targets were focusing on social economy entrepreneurship both on their investments, services and capacity building. More specifically the investment goal 9v is focusing on the promotion and support of social entrepreneurship and integration into social enterprises as well as the overall promotion of social economy in order to create employment and social capital in less developed regions and subregions in Greece. The issue of CSR is crucial at this point in order to set up synergies among stakeholders from both the private and public pillar of economy (as it was mentioned above). The capacity building of human resources, their skills improvement and employment competence is under the investment goal 8iii (Self-employment, entrepreneurship and start-ups, and especially innovative micro, small and medium-sized enterprises), which also refers to social businesses. Therefore, the changes in law in combination with the use of European investment packages above and the ESFs 2014-2020 investment Targets on social economy (9v and 8iii), were remarkable steps that provide a significant ground for policy making at national and regional level for the present and the future period of ESFs in Greece 2021-2027.

At that point it is necessary to analyze shortly the CSR concept and the basic notion of business sector responsibility in society wellbeing and Sustainable Development. What is social responsibility and how it is measured or applied by organizations (public or private), businesses, policy makers and institutions is topic of social analysis and debates that last for a long period of time since 18th century. During the middle of 20th century, in the USA and especially in Europe, the transition from philanthropy to traditional social policy issues (labor rights legislation) took place, indicating the first institutional shift to implicit CSR (Frederick, 2008; Matten and Moon, 2008).

The continuous debates about CSR theory and terminology significantly enriched the evolution of CSR both theoretically and practically internationally but also in EU. Up till now, the CSR concept has been defined numerous times, and according to Dahlsrud (2008), it has already been consisted in thirty-seven definitions. These definitions derived from a literature review and a coding system, which was based on five CSR dimensions: the environmental, the social, the economic, the stakeholder, and the voluntarily dimension (see Dahlsrud, 2008). During the '90s some transnational corporations strived their attention to their social role and their negative externalities to society and the environment, in order to respond to the critics and the growing skepticism about their operations (Hopkins, 2003).

The analysis of the contemporary globalization process and the corporations' role indicates the transformation of this stakeholder to a significant socioeconomic player of global governance. The analysis of corporations' role (especially multinationals) in post-democracy times, according to Colin Crouch (2004) and the arguments regarding the role of large corporations (Sherer et al., 2009), indicate that the 3rd and 4th generation of CSR is a step forward in global and collaborative governance, in order for corporations to be more active and responsive to their responsibilities (Zadek, 2007).

Therefore, CSR became the mean, through which, the business sector gradually communicated and developed its engagement with sustainable development worldwide and in Europe, whilst seems to play a significant role in Europe 2020 and the EU renewed strategy in 2011 (EC, 2001; 2002; 2010; 2011). The beginning of the 21st century was crucial for CSR not only because of the international awareness and its definitional improvement but also because the linkage to SD, which became stronger at an international, and mainly European, policy level. The development of significant international CSR tools such as the "Global Compact" and the "Global Reporting Initiative" were remarkable steps.

At that point it is worth to be noted that CSR was set in the European business development agenda as a business activity approach towards Sustainable Development and responsible entrepreneurship (Commission, 2002; EC, 2003). The latter is interrelated with social economy and business activities via advanced synergies in supply chain and cooperation as well as policymaking level at national and regional governance level for instance public procurement or capacity building.

It is true though that during crisis times, transparency and social stakeholder trust became two of the main fundamental needs and prerequisites for Europe's development, sustainability and social welfare. Based on that goal and despite any free rider effect, the European business community was always a crucial stakeholder in such policies; a fact that justifies the UN and EU policy orientation regarding SD by 2030 (EC, 2015a; 2015b; UN, 2015). Therefore, the need for its engagement and contribution to SD was always vital, since the first definition of SD in Brundtland report (WECD, 1987; UNEP, 2002).

From another perspective it is worth to be noted that CSR evolution in 90s took also place in phases, when welfare state's deregulation and power transfer to civil society, international organizations and markets occurred at global and local level (Sherer and Palazzo, 2008; Sherer et al., 2009; Levy and Kaplan, 2008). The evolution of the CSR political dimension in Europe is significant because it highlights the general concern about government, business and society interactions towards social cohesion and sustainability, as it was mentioned above. Moreover, CSR political analysis in Europe pictures the institutional setting, norms and political actions of the member states regarding SD, welfare state and entrepreneurship (Albareda et al., 2007; 2009; Matten and Moon, 2008; Taliouris, 2014; EC, 2007; 2011; 2014; Impact, 2012). The future view and use of CSR must be based on the approach "CSR made in Europe", which includes in its core the institutional tradition for social welfare, business innovation and sustainable development.

Tentative Conclusions

It is true that from 1970s onwards there have been a major convergence in the European Social Model. This transition towards modernization included several measures, which were necessary in order to achieve effectiveness, in terms of addressing new social risks, and economic rationalization. But these challenges conceal a wide character as the transition to post-industrialism, the Eurozone financial framework and the new social risks emergence are challenges for all European countries. For instance, population aging creates huge challenges for European welfare states for the protection of the older from poverty and social exclusion. Thus, innovation and research can be the keys for increasing competitiveness and economic development which are necessary preconditions for retaining a sustainable but innovative and rational welfare state.

Addressing these issues through the established system of inherited institutions and practices is evidently difficult. But it is even more difficult – even impossible – to radically reform this system. In historical and comparative perspective, the track record of small and medium-sized states with open economies when faced with international pressures is mixed. Some states have responded to challenges and external stimuli by modernizing (rather than replacing) their inherited institutions while intensifying their efforts (Katzenstein, 1985); other states attempted to radically change their institutions – for example by totally dismantling corporatist structures of collective bargaining – with a mixed record of success (Schwartz, 1994).

But the shock of "forced adaptation" through bail-out agreements and austerity-restrictive measures implementation aiming to overcome the current crisis while remaining in the Eurozone will result in drastic change, is clearly contested. However, a domestic recalibration of national institutions and practices would appear to be a necessary step in the direction of viable reform, let alone a model of reform that might defend social values which preserve social cohesion. But this, in turn, requires a set of national directions based on domestic consensus-formation in a substantial number of member states and a European basis which will enforce and sustain such directions.

From a normative point of view, the transformation should not be "one-dimensional", austerity biased and socially restrictive (e.g., by reducing, as much as possible, both wages and social provision). On the contrary, as Hemerijck (2012:396) proposes, it should be concerned with implementing a positive reformation towards the creation of a "caring Europe". The objective of constructing a "Social Europe" comprises the main argument for further political and social Europeanization that will complement an advancing monetary and economic integration.

Thus, it is a partial but significant contribution to the project of rethinking the role of the European welfare state, taking into account different parameters, the role of business sector, various degrees of politicization, different routes to adaptation but also the very European values of social sustainability combined with human dignity. These are crucial parts of societal sustainability, which comprise the third pillar of SD, but should be further enhanced in a balanced manner in order not to enforce stateness (Lavdas et al., 2013), but to provide rational and effective public social policies along with a constructive social role of the business sector through CSR, which includes the institutional tradition for social welfare, business innovation and sustainable development. A combination of positive national and supranational welfare policy through coordination in the European level and simultaneously, the enhancement of CSR, will provide lucrative ground for the transformation of Europe from an institutional austerity and technocracy biased actor into a fundamentally infused "Social Europe".

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THE FINANCING OF THE HEALTH SECTOR THROUGH THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS: THE CASE OF GREECE

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The European Financing Tools in the Health Sector

Considering the major importance of the health sector in growth, competitiveness, and prosperity, the EU has supported it in practice, through various financing tools, programs, initiatives and actions (Jawarska, 2014). As a part of EU cohesion policy, the health sector has been funded through the European Structural and Investment Funds (ESIF), and more specifically from the European Regional Development Fund and the European Social Fund. The fields of infrastructures, equipment, research, small and medium-sized enterprises, and electronic health systems, were supported and funded through the European Regional Development Fund, while several actions were financed through the European Social Fund, to promote active and healthy aging, to eliminate inequalities, to enhance public administration and to support employees in the health sector (European Commission, 2019). The OECD (2011) underlines that in order to improve the existing large deviations and inequalities in the health systems of the EU Member States, sufficient financing is needed.

Many researchers in the past have highlighted the crucial role of ESIF funding and the opportunities they offer for investment policies in the health sector, under unhindered cooperation, towards common goals (Neagu et al., 2017). Nonetheless, several studies have positively correlated European financing with financial performance (Funck and Pizzati, 2003;

Cappelen et al., 2003; Puigcerver-Peñalver, 2004). Dziembata (2017) examines the importance of health projects that were financed by the Structural Funds between 2007-2013 in Poland and in the other countries that joined the EU in the same period, highlighting the potential opportunities and challenges.

Murauskiene and Karanikolos (2017) examine the role of ESIF in Lithuania's health system and highlighted improvements and weaknesses that emerged. In his research, McCarthy (2013) studied whether the structural funds used to promote growth under the cohesion policy helped the health system of the twelve new EU Member States in the period 2007-2013. He highlighted the positive aspects and deficiencies, suggesting that there is a need for promoting and supporting research in the health sector, along with a special focus on better health and social care for elderly people.

In a previous study, McCarthy (2012) also underlined the need to ensure funding through the Structural Funds, for research in the field of Public Health, in the countries of Central and Eastern Europe as well as in the Mediterranean countries. Hazzopardi-Muscat (2014) examines how the EU establishes health systems in Member States through the Structural Funds, emphasizing to the need of monitoring the impact on achieving the objectives set. In another work Denjoy and Okninski (2014) examine, among others, the role of European funds in medical technologies in the elimination of inequalities in the health sector. Their findings indicate that the financing to Member States' health systems is essential, to address challenges.

In a more recent work, Neagu et al. (2017) analyze the extent to which inequalities in the health sector have been addressed by Structural Fund financing during the periods 2007-2013 and 2014-2020. They conclude that Structural Funds can become a "window of opportunity" under the hypothesis that the existed obstacles will be overcome and a transformative approach will be adopted, along with the promotion of joined work and the focus on common goals. Neagu et al. (2018) surveyed through interviews, national experts involved in the selection of the beneficiaries who analyzed the obstacles and prospects of the planned projects funded. Their answers reflect the role of the Structural Funds in reducing disparities, risks and other issues related to the access to health services. Gugglberger et al. (2016) examined the strategic action plans for gaining access to the Structural Funds, in order to address inequalities in health systems.

Overall, the crucial impact of ESIF in the health sector is generally admitted. That's the reason why all EU Members States were systematically informed, encouraged and supported to make more efficient and effective use of European financing tools, achieving greater absorption capacity (European Commission 2010). A few years later, however, Stegeman and Kuipers (2013), claim that despite the steps taken so far, a strong point of view still exists, underlining that public health sector does not have the role that should have and it is often limited to a marginal role in the implementation of the cohesion policy. Thus, a lot more needs to be done both in mid-term and long-term, in order to establish a sustainable, sufficient, easy to access and qualitative health sector in the whole EU.

During 2014-2020 the EU health sector was financially supported via a variety of thematic objectives and programs, with the largest amounts absorbed by Poland, Spain, Germany, Bulgaria, and Italy. Greece received € 263 million, out of a total of € 8 billion for all member countries, which were used to finance projects as healthcare and social care interconnection, access to healthcare services, health provision and education, research and development, elderly care, and home care. Shortly, before the completion of the program with a 96% integration in the European level, 7114 health sector projects were implemented (European Commission, 2019) identifying the importance of the EU funding tools.

Greece, utilizing the financial tools provided by the cohesion policy, created its own national health strategy for each operational program in a timely manner with the overall operational programs planning. During 2014-2020 the National Health Strategy was created under the National Strategic Reference Framework (NSRF) to pursue and achieve overall access for citizens to health services, the financial support of health services users and the sustainability of public and private health sectors (Ministry of Health, 2016). Hundreds of European-funded projects and actions have been completed or are ongoing. These include the improvement of the efficiency and effectiveness of the healthcare system, the upgrade of the healthcare services, and environmental and energy awareness. Also, issues like the promotion of human resources, the utilization of research and information technology, and the investment in health infrastructure in order to create an effective primary care network and develop new ways of health care providence were addressed.

Several other funding forms from assorted financial instruments were created in association with ESIF in the field of health. Such financial instruments have either worked complementary to or in combination with ESIF.

I. EU health programs: The first EU health program concerned the period 2003-2007 and was adopted under the co-decision procedure. This program consolidated eight individual health programs launched in 1996, and its evaluation showed the need for a horizontal operation and the merging of the individual programs to a new program. The objectives of this program were to promote public health, address immediate and urgent threats to health threats, disease prevention, resolve health inequalities, and encourage cooperation between Member States (Official Journal of the European Union, 2003). The 2003-2007 program was conducted through electronic research, interviews and case studies, and as a result illustrated the ability of the program to achieve its goals and redefining its weaknesses (COWI, 2011).

The second EU health program concerning the period 2008-2013, was designed before the global financial crisis and was implemented during the crisis years. This program had three goals, to improve citizens' access to healthcare, reduce healthcare inequalities and ensure the dissemination of knowledge and information on health issues (Official Journal of the European Union, 2007). However, such a wide range of objectives regarding health issues could not be addressed in the end, mainly due to the low funding of the program.

The Third EU Health Program 2014-2020 aimed at several health issues, to promote a healthy living and healthy nutrition lifestyle, to address cross-border health threats, to examine the sustainability of health systems and to facilitate the citizens' access to healthcare systems. For this program, as with all EU health programs, the key factor for growth and employment has been the overall level of citizens' health (European Commission, 2013). A wide range of organizations, research institutes, universities, public and private companies, and non-governmental organizations, participated in the program. The program had the potential to be applied jointly with ESIF 2014-2020 for funding and health interventions. They could jointly develop actions to improve health care, facilitate access to health services, promote research and innovation, promote collaboration, health and safety measures in the workplace, and access to health information and knowledge systems for diseases prevention, and for access to cross-border medical care (European Commission, 2014a).

II. "HORIZON 2020": This is the largest EU program focusing on research and innovation, with one of its key priorities being research and innovation in the field of health, demographic change and healthy living (European Commission, 2011). The three priorities, scientific excellence, industrial excellence, and social challenges aimed at bringing the EU to the forefront of research. The program was accessible to a wide range of legal entities as well as international organizations (European Commission, 2017a). The goal of this health program was the research and innovation for safe and effective therapies, the sustainability of health systems, to address health threats such as Alzheimer's disease, diabetes, transmitted diseases, antibiotics resistance and more. (European Commission, 2014b).

The European Strategic Investment Fund: In the ESIF regulation and framework, health issues and their treatment, medicines, and social infrastructure, are considered to be key investment priorities leading to growth in employment and competitiveness within the health sector (Official Journal of the European Union).

The European Funding in Greek Health Sector During the 2008 Financial Crisis

Greece's health system was (and still is) based mainly on State Financing, on social security system, and on private payments (Moraitis, et al., 1995). The EU has always considered that the main responsibility for health services and healthcare should lie in the country-members themselves, whereas its role should only be supplementary to national policies, aiming at improving the health conditions of EU citizens, supporting and modernizing infrastructures and improving the effectiveness of the national health systems (European Commission, 2017). Consequently, in regard to Greece, the financing from the European Structural Funds has been supplementary to the national health sector over time. More specific, it covers a wide variety of actions, such as establishing the necessary infrastructures, anticipating and dealing with diseases, performing research, eliminating inequalities in the health system, promoting free access to healthcare services, modernizing structures and many more. Only during the period 1994-1999, the European Social Development Fund and the Cohesion Fund generated over 390,000 jobs in all sectors of the economy (Beutel, 2002).

Liargovas and Apostolopoulos (2014) argue that the Structural Funds can enhance both sustainability and performance, while Bahr (2008) associates the impact of those funds to the degree of decentralization. In their research, Christodoulakis and Kalyvitis (1998) examine the role of the Structural Funds in Greece, concluding that the financing of various projects and activities through the Structural Fund projects is crucial for the convergence with the other EU Member States. In a more recent survey on the European funding on research and healthcare sectors, of Lionis and Petelos (2016), illustrate that the successful searching for finance depends on the continuous information. Their study reflects the valuable lessons learned and the experience accumulated from a research team of the Department of Medicine of the University of Crete, in the making of proposals for gaining European funds, in the establishment of conglomerates and, in general, in the search for finance. That study is useful because it helps in the preparation of proposals of targeted actions in vital parts of the health sector, with high potentials for approval by EU.

The Impact of the 2008 Financial Crisis in Greek Health Sector

The 2008 financial and monetary crisis has resulted, among others, in structural problems in health systems of EU, pushing eighteen of the twenty-eight EU Member States to cut health spending (EUROFOUND, 2013). The reduction was particularly significant in the countries that joined the financial support mechanisms. Being one of the countries that joined those "financial rescue" schemes", Greece was obliged to cut back health spending at 6% of GDP and to engage in specific structural reforms in order for the health system to become sustainable and efficient (Niakas, 2014). In a period of six years (2009-2015) the overall financing in healthcare was decreased by 8.6 billion euros and public spending by 7.3 billion euros (Souliotis et al., 2018). Furthermore, in the same period (2009-2016), public spending in pharmaceuticals fell by € 3.2 billion (Foundation for Economic and Industrial Research, 2017).

In their survey on the impact of the financial crisis on the treatment of patients, Tsiligianni et al. (2014), examining a sample of 288 patients in Crete, showed that due to the crisis, many patients were forced to reduce the dosages of their medication or to stop them at all. In a similar research Tsiantou et al. (2014), examine whether healthcare policy during the financial crisis, accompanied by the recession and several austerity measures, had an impact on patients' treatment. They conclude that they had indeed, a crucial impact, mainly due to the loss of insurance coverage for many of them and from several problems emerging when they attempt to access the healthcare system. Furthermore, the report of the European Observatory on Health Systems and Policies, in the section referred to Greek healthcare system, underlines that the haircuts in public spending in health between 2010 and 2014 were related to general budgetary cuts in spending in healthcare and in pharmaceutical products (Economou et al., 2017).

Such austerity measures had a large impact on both the public and private health system and on the community as a whole. Public hospitals with joined management were restructured and merged (Kaitelidou et al., 2016b, Flokou et al., 2017); the epidemiological pattern changed; the rates of mortality and suicides increased (Laliotis et al., 2016; Vandoros et al., 2013; Anagnou, 2013; Poulopoulos, 2012, Economou et al., 2016a, 2016b, 2016c). At the same time, the increased rates of unemployment (the outcome of the financial crisis) resulted in the inability of the insurance system to support healthcare and hospital care for those having an insurance policy (Simou and Koutsogeorgou, 2014; Economou et al., 2013), while the financial contribution of the recipients of health services in the overall cost of the healthcare and hospital care had increased, imposing a large economic burden for the patients (Economou et al., 2017).

Furthermore, the provision of healthcare services was then restricted, the access to the health system has become more difficult, the overall prevention policy has been significantly reduced, the number of personnel at all levels of healthcare process decreased, and the inequalities have widened (Economou et al. 2014; Souliotis et al., 2018). Employees' wages in the health sector have also decreased, and working conditions deteriorated, while recruitments were limited (Milionis, 2013; Kentikelenis and Papanicolas, 2012; Simou and Koutsogeorgou, 2014).

The overall insurance system experienced dramatic changes especially in regard to the retirement thresholds that were continuously increased, making a large number of employees in the health sector, to seek for early retirement (Matsaganis, 2011; Kalafati, 2012; Kentikelenis and Papanikolas, 2012). Apart from that, a large amount of the personnel in the medical sector, sought for job vacancies in other European countries, mainly in Germany, the Scandinavian countries and the United Kingdom (Ifanti et al., 2014).

The Role of EU Financing Mechanisms

According to Thomson et al. (2014), such dramatic impacts as those described in the previous section, in the aftermath of an economic crisis, are prospected along with the resulted decrease in the effectiveness of health systems in such conditions. The dramatic changes in Greek health sector, does not mean that all the other countries of EU experience similar situations in their healthcare systems, in times of economic distress. Simou and Koutsogeorgou (2014) and Ifanti et al. (2013), illustrate that Greek health system proved to be more vulnerable relative to those of the rest of the EU Member States.

When state funding stops or dramatically decreases, wages and pensions are also reduced, many firms close, the unemployment rate rises and as a result, social security encounter serious problems, affecting dramatically health system too. Apart from Greece however, during the 2008 financial crisis, some other EU Member States confront a similar condition, leading Seychell and Hackbart (2013), who examined EU health strategy during the economic crisis, by combining legislation, cooperation and funding, to underline that the sustainability of health system was (in 2012-2013) under an additional pressure relative to the pre crisis period.

They highlighted the need for further support of the health sector in accordance with the overall policy direction “Europe 2020”. In their survey, Clemens et al. (2014), perform a broad analysis of the ways of, and the prerequisites for, the support provided on health systems by EU during the economic and monetary crisis, and its prospects, presenting also the supporting initiatives of National Health Systems in EU under a period of austerity and fiscal consolidation. Those initiatives, including the crucial Structural Fund financing, have provided opportunities to address the consequences of the economic crisis. It should be noted, that the financing of the European Structural Funds was not reduced during the economic crisis, which was critical for the health sector, as, otherwise, the impact of the crisis would be even more dramatic.

The Structural Funds and the Health Sector: The Upcoming Plans of Action

The European Structural and Investment Funds (ESIF) is planned to support the health Systems of EU Member States for the period 2021-2027 (European Commission, 2018a). The European Regional Development Fund and the European Social Fund which support the operational program 2021-2027 will also support the Greek health sector. According to the policy objective named 'A more social Europe implementing the European Pillar of Social Rights' the provision of sufficient funding is planned, in order to ensure the equality in the access to health care through the establishment of the necessary infrastructure, the equality in the access to higher quality health services, the promotion of the effectiveness and resilience of health care, all in a long-term perspective (European Commission, 2018a).

In regard to Greece, through the European Regional Development Fund of the Operational Program 2021-2027, equal access to Greece's healthcare system will be financed in the form of the development of the necessary infrastructure, including initiatives on health care. Through the European Social Fund of the Operational Program 2021-2027, the promotion of the systems used in order to address health risks in the working environment will be financially supported. Furthermore, the adjustment of both employees and firms to changes in active and healthy aging will be pursued, along with the equal access to qualitative, affordable and sustainable from an economic point of view, health services and the improvement on the accessibility, efficiency and resilience of the healthcare system, again through a long-term perspective, by emphasizing on health services (Ministry of Economy and Development, 2019).

At the same time, the European Social Fund (ESIF) in synergy with other European funding, European Spending Programs and other similar actions are planned to be the basis of the support for health policies. There will be mergers or synergies of the European Social Fund with the Youth Employment Initiative, the Health Program, the Social Innovation Program and the European Fund for deprived persons. Funding is planned to follow three channels: the prevention of health risks and the support of public health scheme, the support of people in poverty, and the strengthening of employment and social innovation.

The main goals of health support are the preparedness to respond to cross-border threats on health, the support on health systems and in particular, the reforms in the health sector, the support on legislative issues related to health, and the implementation of best practices for the prevention of the diseases and for promoting good health (European Commission, 2018b).

Other sources of funding, in synergy with European Structural and Investment Funds will also support the health sector, acting supplementary to or in combination with ESIF. Those funds include, among others, the "Horizon Europe" and "Digital Europe" programs, the "Invest EU" Fund and the "Connecting Europe" Facility.The Horizon Europe program focuses on research and innovation in all sectors of the economy, including the health sector. It aims to create an innovative basis in regard to science and technology, improved performance in innovation, competitiveness, and in addressing global challenges.

The Horizon Europe program has three pillars: the "Science of Excellence", the "Innovative Europe" and the "Global Challenges and European Industrial Competitiveness". The latter includes the group of Health issues (European Commission, 2018c). In synergy with ESIF, that program will also support the expansion of the "Seal of Excellence" system in regional level.

The "Digital Europe" Program aims to support the necessary technological changes in social welfare systems, in education systems, in industry, in employment and elsewhere, in order to contribute to the completion of the digital single market, a strategic point for the EU. All those investments are supported by ESIF. Through the Digital Europe program, achievements in areas such as health, agriculture, energy and others, will be benefited from the achievements of R&D process and innovation. (European Commission, 2018a).

The Invest EU Fund is a new EU investment tool that aims to motivate public and private sources of finance in the form of loans, guarantees and equity. In synergy with the Connecting Europe facility (CEF), the HORIZON Europe and Digital Europe programs, aims at promoting investment. The Invest EU Fund will be supported supplementary by investments made by the ESIF (European Commission, 2018a) and such synergies will surge investments in the health sector, and provide benefit directly or indirectly.

The Connecting Europe facility, supports among others, the digital sector. The program will interact with other schemes on the development of digital service. Furthermore, it will be complementary to the ESIF and will be able to support innovative technologies developed in the HORIZON Europe program (European Commission, 2018d). The financing for the introduction of new technologies in the health sector, like the eHealth, the telemedicine, the patient electronic file and the electronic prescriptions, are major issues for both private and public health sector. They improve the accessibility and the effectiveness of health services, reducing at the same time, cost. Informing people by eHealth is considered to be a critical point in the health sector, generating added value (European Commission, 2014). Several studies indicate that the introduction of medical information systems improves the quality of health services, and clinical decision support systems, which, along with medical guidance systems reduce medical errors (Lau et al., 2010; Papadopoulou and Petsa, 2015).

Conclusions

According to the European Union, EU Member States have the responsibility for the provision of health and medical services of their citizens. Health policies act supplementary with the national policies of its Member States. It supports the modernization of existed infrastructures, the overall treatment against the diseases, the efficiency of health systems, the unhindered access to health services, the use of new technologies, the research and innovativeness in the health sector, the efficient response to cross-border threats in health issues and many more. From the EU's part, the health sector is mainly supported by the ESIF. Either independently or in synergy with other European funding programs, initiatives and actions the ESIF have provided each country-member, with opportunities to upgrade their health systems.

Even though the Greek health system relies mainly in three pillars, the State financing, the social security system and the private payments, the role of the European Structural Investment Funds is crucial. In particular, during the financial crisis and after Greece was obliged to join the financial support mechanisms consisted of EU, ECB, and IMF, the whole economy and in a large degree, social security and healthcare, experienced large reductions in the financing from both public and private sector. Without the support of the European funding schemes, the consequences would be far more dramatic. The financing through the ESIF, generate opportunities to mitigate the effects of the crisis, supported the health sector as well as other sectors of the economy and helped the country to keep up with the objective of the converge with the other member states. The overall planning for the new period of targeted interventions (2021-2027), includes again the financial support to the Greek health sector. Greece should now evaluate the performance of the ESIF financing through the projects and initiatives undertaken in previous years, and to assess their social impact, in order to make the necessary improvements and set the benchmarks for the new period, improving the efficient use of the funds provided by EU.

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PART C

REGIONAL AND LOCAL DEVELOPMENT

DOES EU COHESION POLICY PROMOTE INNOVATIVENESS OF THE LESS DEVELOPED REGIONS? THE CASE OF POLISH VOIVODESHIPS

Małgorzata Dziembała

Introduction

Poland has been receiving financial support from Cohesion Policy during its membership in the EU and has become the major beneficiary of the EU funds. Financial resources which are transferred within this policy influenced the economic performance of Polish regions and the existing interregional disparities. Over the years, the main direction of the financial support from Cohesion Policy in Poland involved the basic infrastructure, including transport and environmental infrastructure due to the existing deficiencies in these areas. However, promoting innovativeness of Polish regions has become important and some measures to enhance the innovative potential of these regions have been introduced. The measures related to innovativeness of Polish regions were implemented especially in the 2007-2013 financial perspective and a broad range of innovation-promoting activities was initiated at that time.

The main aim of the paper is to analyse the innovative potential of Polish regions and the absorption of the Cohesion Policy funds on research, technological development and innovativeness by Polish regions. It is argued that EU funds have a positive impact on the innovative potential of Polish regions, however, the major beneficiaries of these funds are mostly regions which are well-developed. In order to effectively implement these public funds and to solve the problem of the regional innovation paradox, the new regional policy should be developed.

The paper consists of three parts. The first parts are devoted to theoretical discussion on the innovative potential and factors determining it, and to the concept of the innovation paradox. Then, the innovation potential of Polish regions is analysed. The next chapter discusses the issues of the absorption of EU funds on innovativeness in Poland in the 2007-2013 programming perspective.

Innovation Potential and its Determinants in Countries/Regions which are Characterised by Low Level of Development

Nowadays, it is innovation that is, among others, a key determinant of the growth of countries and regions. However, they are characterised by different levels of innovativeness. Therefore, it is important to promote the innovation potential (capacity) of the country and its regions, which should be improved constantly, especially in those with the low level of economic development. They have some deficiencies in this potential and also encounter some problems which prevent its effective creation. Nevertheless, they are also determined to catch up with more developed countries and regions. The constantly improving level of innovativeness could help them to fulfil this task.

There is no single definition that can capture the multidimensional concept of innovation potential (innovation capacity) and its phenomenon. Accepting the notion of innovation as "the ability to manage knowledge creatively in response to demands in the market" (Karlsson et al., 2004), we could adopt it as an approximation of the innovative capacity. This is captured by Stern, Porter and Furman, who present the national capacity as "the ability of the country – as both a political and economic entity – to produce and commercialise the flow of innovative technology over the long term" (Stern et al., 2000), and, further, Porter and Stern (2001) explained it as the potential "to produce a stream of commercially relevant innovations" (Porter et al., 2001). Thus, this ability refers to the development and commercialisation of the new-to-the world technologies, products as well as business organisations as such - this constitutes innovation (Gans et al., 2003).

However, the perception of innovation differs, depending on the stage of economic development of a given country because for the developed countries "new – to – the world" innovations are of utmost importance on which they base their leadership while for the latecomer countries, innovation is understood as "new-to-the country". However, as Mathews stresses, in the latter group the latecomer enterprises try to catch up with the industrially developed ones in the advanced countries and to integrate into the mainstream of state-of-the art technology through what is essential to that process – the management of the technology diffusion, as it is the route significant for technological leverage and strategic management (Mathiews and Hu, 2005). As a fact, in these definitions, the appropriate management of innovations seems to be very important. However, Hu, Mathews, associate the national innovative capacity with the country's institutional potential to sustain innovation.

Thus, this capacity is related to the sources of sustainability of innovation performance instead of particular aspects of innovation (Mathiews and Hu, 2005; Mathiews and Hu, 2008). However, innovative potential could be perceived by the prism of enterprises, which is related, according to Hii and Neely (2000), to the internal potential of an enterprise to create new ideas and to implement innovation recognised by the market. Others relate it to assimilating and exploiting the knowledge, and hence Cohen and Levinthal (1990) stress the significance of the external knowledge and referring to the absorptive capacity, which is intangible, as to "the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends".

Following and based also on a firm-level analysis, Criscuolo and Narula (2008) emphasise the existence of the non-linear relationship between the national absorptive capacity related to the absorption of a foreign knowledge and the stage of its technological development (technological gap). The authors stress that the national absorptive capacity supports knowledge accumulation (and the reverse effect happens – technological advances support the absorptive capacity), thus, they are determined simultaneously, this process is accumulative and virtuous during the catching-up stage (converging path) and evolves with the technological development of countries.

The four stages of knowledge accumulation have been identified, namely: the pre-catching up stage, the catching-up stage, the pre-frontier-sharing stage (approaching this stage, the pace of accumulation process is slower) and the frontier-sharing stage. Thus, different strategies should be adopted, e.g. the strategy at catching-up stage is mainly characterised by knowledge (external) accumulation through trade and inward FDI which are related to R&D spillovers. When a country evolves with technological development and reaches the technological frontier, external knowledge is difficult to assimilate and the significant role is played by non-imitation means, outward FDI. Thus, countries possess different abilities to assimilate technological spillover, depending on the stages of development they are in.

Hoekman, Maskus, and Sagii (2004) underline that for the developing countries the absorptive capacity is critical to attract technology, for obtaining spillover benefits resulting from trade, FDI, and could be treated as the precondition which must be fulfilled in order to make the policy effort successful and facilitate technological transfer. The forms of acquiring knowledge differ in low-income countries and when their income increases (catch-up), they benefit more from the international technology transfer and the policies differ. Moreover, as Keller (1996) points out, in the case of developing countries, technological catching up, and thus the effective and/or successful implementation of technologies from abroad due to their external orientation, requires absorption capacity, which is related to the availability of human capital.

However, the technological knowledge spillover could be to some extent global and local. The international diffusion of technology is local because the benefits from foreign knowledge spillovers are declining with the geographic distance. This is the distance between the sender country and the recipient. However, to some extent, technological knowledge is still global as the foreign R&D is becoming more important than domestic one, and the global pool of technological knowledge still exists (Keller, 2000).

So far, we have discussed that the stage of economic development of the country is related to its innovative capacity and how far it is to the technological frontier, and the country should adopt different strategy/strategies to create this potential, which is a long-term process. Thus, the heterogeneity in innovative capacity exists among countries, e.g., among EU Member States, which is rather stable, what indicates that the existence of the gap between innovation leaders and innovation laggards, also within these groups the variance, is observed (Veugelers, 2017). Therefore, the question is raised: what shapes this ability to produce and commercialise innovation?

Factors that Determine Innovation Potential with Particular Focus on Expenditures on Innovativeness

There are numerous factors that create innovation potential. L. Suarez-Villa basing, basing on the example of the US invention patent data (analysing the period of 106 years), explains that the processes of invention and macrosocietal innovative capacity are related to each other. It proves the existence of the relationship between innovation capacity and the invention made by the corporate and individual, as well as between the long-term socio-economic trends.

It is the corporate invention that explains to a significant degree the long-term changes in the net national income (Suarez-Villa, 1990). Therefore, he associates the society's innovative capacity with the successful invention outcomes, both corporate and individual ones, and this term is related to the macro level - country (Suarez-Villa, 1990). What could also help to measure the level of innovation? Innovative capacity is regarded as "the most important systemic effect of scientific search and discovery on socioeconomic progress" (Suarez-Villa, 1990).

Until now, the concept of innovation capacity has stressed the significance of the national level. However, the location is significant for innovation, and companies adopt their management of innovation focusing not only on the developing, commercialising innovations in certain locations, the most attractive ones, but also by supporting the environment in terms of innovation. Thus, certain factors that constitute the national innovative capacity create the environment for innovation on a regional level (Porter and Stern, 2001). Therefore, the regional capacity is perceived as the "ability of place-specific resources to promote economic activity" (Feldman, 1994).

There are some factors that create, shape and contribute to the innovative capacity, not only on the national level, but also on the regional, local one. The major elements include: strong common innovation infrastructure creating conditions for innovation, involving some elements which are recognised by the national innovation systems and cover, among others, human capital and resources for R&D activity; the cluster-specific environment for innovation, and the quality of linkages between the common innovation infrastructure and clusters. The patenting activity could be used to measure the innovation capacity. However, differences between countries could be explained by economic geography and innovation policy – both factors differ depending on the country (Porter and Stern, 2001; Furman et al., 2002).

Riddel and Schwer identify factors which have the impact on innovative capacity and which are analysed from the regional level, namely states in the US. The Authors explained the rate of innovation change in the US states in 1990s considering the following factors: the stock of knowledge, R&D expenditures in industry and the number of high-tech employees. Also, the human capital has the impact on innovation rate. Additionally, there is endogenicity between employment growth and innovative capacity, which was observed due to the patenting activity and wages in the high-tech sectors that influenced the demand for high-tech labour to a stronger degree (Riddel and Schwer, 2003).

However, there is a question concerning the countries with innovative performance which are behind the developed countries – what enables those countries lagging behind in terms of innovation to catch up with developed countries, what factors, important for formulating appropriate catch-up strategies, determine their innovative capacity/activity? To solve these issues, Hu and Mathews (2005) examined the 5 latecomer East Asian economies and found that the process of building the national innovative capacity is comparable to these of OECD countries, however, the strategy to catch up differs from patterns applied in OECD countries. In their strategies for creating innovative capacity, they particularly promoted institutional foundations and their development and focused their actions on specific industrial sectors (production, export, in the promotion of patentable innovation activities, including IT and electronics).

In the latecomer countries, in the early stage of development, there is observed a significant impact of the R&D expenditures which are incurred by the public sector and thus indicate significant involvement of the state. However, the smaller number of national factors is important in the process of building the national innovation capacity. The R&D public expenditures fulfil the twofold role: as a source of innovative capacity and as a guide suggesting how to direct and use the limited resources in this kind of countries, reinforcing incentives of their capacity, facilitating the environment for national cluster innovation. Thus, these expenditures are part of innovative capacity of these countries (Mathiews and Hu, 2005).

Also Varblane, Dykier, and Tamm (2007) treated the national innovation system as analytical framework underlining that the catching-up economies – the transition countries which now are at the catching-up stage (new EU member states) cannot imitate the developing EU-15 countries when building national innovation system, but different approach should be applied, namely by adapting to the local frameworks including economic, social and cultural. However, they could make use of innovations which were elaborated by the leading EU member states. These authors underline the need to enhance the learning capacity of the society (important because they too are acquiring new technologies but need to learn how to use them effectively, also at a higher level of development more complex activities are undertaken and there is a need to increase organisational capacity).

To do so, the path-dependency problems of these innovation systems should be properly and deeply recognised and examined, interactive learning-based system will have to be implemented. The instruments designed to solve these problems will have to be used. They recommend the improvement of the innovation diffusion management and network. They emphasise that one of the major problems in building the national innovation system is the underestimated role of public sector in the national innovation system, but stress the need to create an organisation that will help provide analytical support for development problems, improve policy-making, planning and practical skills.

Proksch, Haberstroh, and Pinkwart (2017) analysed 17 European countries, including states with a low innovative capacity, and using 19 variables for the period 2007-2011 on different dimensions of innovative capacity, proved the existence of different paths to achieve a high innovative capacity. The preconditions of the countries, which may be different in each of them, should be taken into account in order to present solutions that are diverse and lead to the highest innovation performance.

Thus, different innovation strategies could be applied in order to obtain the same outcomes depending on the situation in each country. Therefore, the combination of factors should be taken into consideration in order to achieve particular results, so the improvement of single factors is not sufficient, rather holistic approach with the combination of different factors should be adopted. According to the authors, the countries such as the Czech Republic, Hungary, Romania, developed the initial preconditions for innovation strategies, while Poland and Portugal do not have any preconditions to improve the national innovative capacity. Some countries which are lagging behind could develop cooperation with other countries, use the EU funds to develop their innovativeness.

Dosi (1988) explains the degree of industrial asymmetry resulting from different innovation capabilities and these innovation capabilities could be recognised as "different degrees of technological accumulation and different efficiencies in the process of innovative search". But Feldman (1994), analysing situation in the US, observed that product innovations tend to cluster at the state level, and reveals that this clustering is connected with the level of expenditures on R&D which are incurred by universities and industries, being two important inputs in the process of innovation and which are mutually reinforcing.

However, there are other factors including those related to industry and business services together with university R&D, industrial R&D, constituting the four major components of regional technological infrastructure. This network of institutions provides an input to the process of innovation. Thus, the clustering of innovation occurs geographically where there is the concentration of specialist resources with the technological infrastructure.

However, building innovation capacity in less developed regions should take into account the adoption of an appropriate strategy that could focus on long-term growth, in order to overcome the path dependencies and the middle-income trap. The priority of intervention should be identified. Depending on the regions' situation, the specific topics should be selected (Tsipouri, 2018) (Table 1).

Table 1 *Types of regions in the EU and recommended interventions*

	High growth	Low growth
High income	CEEC regions including capital cities of the EU could further develop smart specialisation strategy, adapt novel education schemes, support schemes adapted to their systems from the leaders and followers. The following should be considered priorities: adaptation of business sector in the GVC, institutional change, investing in education.	Regions stuck in the middle-income trap, mainly in the Southern regions (declined during recession). Some actions should be promoted through the activities such as smart specialisation, smart city, digital city strategies, new types of interventions.
Low income	Regions in CEEC, few Southern regions, - suffer from the lack of absorptive capacity, innovation infrastructure, the quality of governance below the national average - at risk of a middle-income trap, therefore the policy should be changed, could use the leapfrogging strategy and address the gaps in innovation systems by creating ecosystems, developing research capabilities, reach GVC.	Regions which are expected to catch up, with the weakest institutions, low competitiveness- initial transformation could be promoted thorough non-technological innovation support, micromanagement improvement, and the absorptive capacity. .

Source: Tsipouri, 2018

As it was stated, the vital determinant of innovation capacity are the expenditures on research and development, both from public resources and incurred by universities. The above mentioned factors could make it possible for the countries and their regions lagging behind to catch up, however, these could be considered if they were able to effectively absorb these external funds.

Regional Innovation Paradox in the European Union

A lot of efforts are taken in order to improve the innovativeness of countries and their regions and thus to increase their innovative potential, including in the EU. Significant amount of money has been allocated for different areas of intervention, including research, technology and innovation, particularly from the EU funds.

However, especially after the economic crisis, new inequalities are being observed and the older ones are increasing despite the efforts of the regional and cohesion programmes. Thus, the geographical development is still uneven, and the regional and local development policies are not effective in dealing with peripheriality. EU accession brought with it a large scale of funds as well as a diverse set of instruments related to regional policy, but there was a noticeable polarisation (Hadjimichalis, 2019).Thus, a kind of paradox has been observed.

There are evidences (anomalous observations) that the achieved outcomes are sometimes not as it would be expected in relation to high or outstanding innovative efforts which were undertaken. They are either insignificant or undesirable. Therefore, the concept of innovation paradox has been raised (Fragkandreas, 2018).

Different types of innovation paradoxes could be distinguished. They include – biotechnology's growth - innovation paradox, business strategy innovation paradox, developing nations innovation paradox, European paradox, European regional innovation paradox, open innovation paradox, regional innovation systems paradox, Swedish paradox, etc. (Fragkandreas, 2018). The regional perspective adopted in this paper implies the necessity to focus on the regional innovation paradox, which could be understood by the prism of the European regions. There are some regions which are highly innovative but their growth rate is slow, also they are characterised by the poor economic outcomes.

Fragkandreas proves it by observing the classification of the European Regional Innovation Scoreboard for different years which ranks the regions in terms of their innovative performance. This is a contradiction to the assumption that innovation constitutes a drive for economic progress (Fragkandreas, 2012). Slightly different approach to this kind of innovation paradox has been adopted by Oughton, Landabaso, and Morgan (2002), who identified this paradox as the low potential of regions lagging behind to absorb funds on innovation and stated that the regional innovation paradox "refers to the apparent contradictions between the comparatively greater need to spend on innovation in lagging regions and their relatively lower capacity to absorb public funds earmarked for the promotion of innovation and to invest in innovation related activities compared to more advanced regions". These two approaches were taken into consideration in the further discussion in this paper related to Polish regions.

Therefore, the question arises what kind of innovation policies are required in the less developed regions which are facing the regional innovation paradox, but also taking into account the situation of the more prosperous regions, affected by this paradox as well.

To solve it, the multi-scalar approach is recommended by Hassink and Marques (2016), which covers three dimensions: below the regions, referred to as organisational, then the regional and the national dimension. Interactions between these scales influence the effectiveness of innovation policy. There are some arguments for incorporating, also the national dimension for consideration, which is motivated by the dominant role of the national government in creating innovation policy. Also the systematic failures in regions should be considered in relation to the national level, and there are some policies, including education, into which the region has its input, however, the existing deficiencies in the region could not be attributed to the regional level.

The existence of innovation paradoxes could be explained in different ways and Fragkandreas (2018) proposes four explanatory categories: academic and scientific base, economic base, innovation system and validity explanatory. However, we may argue that they can be included in an approach that takes into account innovation potential.

To sum up, countries and their regions, which are characterised by low innovativeness, in order to catch up should enhance their innovation potential which could be determined by different factors.

As it was underlined, the very important factors are research and development expenditures which are also obtained from the public sources. In the countries of Central and Eastern Europe, e.g. Poland, which represent the low level of economic development in relation to EU average, the financing resources from structural funds constitute the very important source of supporting not only the basic infrastructure but also innovativeness. However, the question is: are the Polish regions with low innovative potential able to effectively absorb these funds for the improvement of their innovative potential and thus to catch up with the well-developed regions of EU countries?

Innovation Potential of Polish Regions

Innovation capability of Poland is low, as was observed by the 2019 European Innovation Scoreboard. The Summary Innovation Index 2018 measures the innovation performance of EU countries and classifies it into four groups: innovation leaders, strong innovators, moderate innovators and modest innovators. Poland was classified into the group of moderate innovators and this group includes 14 out of 28 Member States (European Innovation Scoreboard, 2019). The Summary Innovation Index measures this kind of performance and covers the indicators which are classified into four groups of indicators, which, in turn, are divided into subgroups. The situation of Poland in terms of innovative performance in relation to the EU average is presented in Fig. (1).

Fig. 1 *Innovative performance of Poland against the EU performance in the light of the Summary Innovation Index 2018*

Source: based on data available at EIS 2019-database, https://ec.europa.eu/docsroom/documents/36062.

As it can be observed, Poland recorded the weakest performance in the following dimensions: innovators, attractive research systems, linkages, as it received 16,5%, 30,7% and 31,2% respectively, in comparison to that of the EU in 2018. The innovative performance of Poland in the light of the Summary Innovation Index 2018 constitutes 56% of that of the EU in 2018 (European Innovation Scoreboard, 2019).

Also, the regions of Poland are characterised by the low innovative potential against the EU regions, what is confirmed by the Regional Innovation Scoreboard of (2019). 17 Polish regions (voivodeships) were considered, out of which 8 were classified as Regional Moderate Innovators, and 9 as Regional Modest Innovators.

The existence of regional innovation paradox in the EU Eastern member states has been analysed in the literature by Muscio et al., (2015) based on regional NUTS 2 data for the period 2000-2009, with the use of the econometric analysis, and proved that despite the structural funds transferred for research and innovation, these countries do not close the gap in terms of productivity per capita in relation to Western European countries in terms of convergence, despite some positive effects. In our research, the innovative capacity of Polish regions was analysed, to compare the region's capabilities.

In order to analyse the innovation potential of Polish regions and changes in their potential in the long period of time covering the years 2006-2016, the following indicators were adopted:

X_1 – participation rate in education and training (last four weeks, age from 25-64 years) (in %),

X_2 – HRST (persons with tertiary education and employed in science and technology) as a % of active population,

X_3 – expenditures for innovation activity in enterprises in relation to the gross fixed capital formation (in %),

X_4 – innovative enterprises introducing innovation as a % of total number of enterprises in the industry,

X_5 - innovative enterprises which cooperate in the field of innovation activity as a % of total number of enterprises in the industry,

X_6 - share of net revenues from the sale of innovative products in enterprises from industry,

X_7 - share of net revenues from sales of products of entities representing high and medium technology level (in %).

Initially, the number of indicators was broader, but it was reduced due to data availability and the application of correlation procedure, value of the coefficient. Also, the aim of the study was to analyse the innovativeness in the longer period of time and then the indicators with the short-time series were excluded from considerations. Afterwards, the ranking of the Polish regions according to the sum of standardised variables (SSV) was constructed (Table 2).

Table 2 *Ranking of the Polish voivodeships according to the sum of standardised variables in the period 2006-2016*

Voivodeships	2006	2008	2009	2010	2011	2012	2013	2014	2015	2016
MAŁOPOLSKIE	7	5	6	7	6	4	3	8	3	1
MAZOWIECKIE	1	1	1	1	1	1	1	2	4	2
DOLNOŚLĄSKIE	4	3	3	3	4	2	2	1	1	3
ŚLĄSKIE	2	4	2	2	3	3	4	3	2	4
PODKARPACKIE	5	8	5	5	5	8	9	6	6	5
POMORSKIE	3	2	4	4	2	5	6	4	5	6
LUBELSKIE	6	9	7	8	9	9	11	5	9	7
OPOLSKIE	8	6	8	6	8	7	5	7	7	8
LUBUSKIE	15	14	16	11	15	13	10	14	13	9
WIELKOPOLSKIE	10	12	15	10	7	14	8	9	8	10
KUJAWSKO-POMORSKIE	11	7	13	9	10	15	16	13	12	11
PODLASKIE	9	10	10	12	11	6	7	12	10	12
ZACHODNIOPO-MORSKIE	13	11	11	14	12	10	14	11	11	13
ŁÓDZKIE	12	13	12	16	13	12	12	10	14	14
ŚWIĘTOKRZYSKIE	16	16	14	15	16	11	13	15	16	15
WARMIŃSKO-MAZURSKIE	14	15	9	13	14	16	15	16	15	16

Due to the data limitation, the year 2007 was excluded from the analysis.

The order of regions according to the 2016 ranking.

Source: own elaboration based on the data available at: https://bdl.stat.gov.pl/BDL/start, Eurostat database https://ec.europa.eu/eurostat/data/database

The position of Polish regions in the ranking is rather stable over the analyzed years 2006-2016. It is only the małopolski region that improved its position in the ranking. In 2016, it took the 1st place in the ranking, while in 2006 it was ranked 7th. It shows that it is difficult to change innovation capability over the long period of time as far as Polish regions are concerned and using the adopted indicators for constructing the ranking. However, funds obtained from the cohesion policy, that Poland received following the accession in 2004, was redistributed in different fields of intervention, including innovation.

Table 3 *GDP (current prices) of Polish voivodeships in 2006 and 2016, coefficient correlation between GDP and regional innovation potential expressed in the SSV over the period 2006-2016*

Voivodeships	GDP in 2006, PLN million	GDP in 2016, PLN million	Average rate of GDP change in 2006-2016	Pearson correlation coefficient 2006-2016 (GDP value and value of SSV)
DOLNOŚLĄSKIE	86 746	155 816	6.03%	**0.589**
KUJAWSKO-POMORSKIE	50 130	82 345	5.09%	-0.210
LUBELSKIE	42 111	71 270	5.40%	0.223
LUBUSKIE	25 367	41 348	5.01%	0.443
ŁÓDZKIE	66 508	112 473	5.39%	0.078
MAŁOPOLSKIE	82 699	148 103	6.00%	**0.681**
MAZOWIECKIE	224 631	414 404	6.32%	**-0.790**
OPOLSKIEOPOLE	23 866	38 341	4.85%	0.049
PODKARPACKIE	42 022	72 567	5.62%	0.154
PODLASKIE	24 405	40 735	5.26%	-0.041
POMORSKIE	60 947	108 438	5.93%	**-0.656**
ŚLĄSKIE	139 114	229 060	5.11%	-0.421
ŚWIĘTOKRZYSKIE	28 099	43 448	4.45%	-0.176
WARMIŃSKO-MAZURSKIE	29 856	49 651	5.22%	**-0.609**
WIELKOPOLSKIE	100 628	183 778	6.21%	0.450
ZACHODNIOPOMORSKIE	42 697	69 370	4.97%	0.365

Voivodeships	GDP/capita in 2006, PLN million	GDP/capita in 2016, PLN million	Average rate of GDP/capita change in 2006-2016	Pearson correlation coef-ficient2006-2016 (GDP value and value of SSV)
DOLNOŚLĄSKIE	30 076	53 659	5.96%	**0.597**
KUJAWSKO-POMORSKIE	24 259	39 503	5.00%	-0.205
LUBELSKIE	19 359	33 371	5.60%	0.239
LUBUSKIE	25 155	40 639	4.91%	0.441
ŁÓDZKIE	25 863	45 199	5.74%	0.073
MAŁOPOLSKIE	25 308	43 865	5.65%	**0.685**
MAZOWIECKIE	43 494	77 360	5.93%	**-0.789**
OPOLSKIE	22 852	38 553	5.37%	0.030
PODKARPACKIE	20 039	34 120	5.47%	0.151
PODLASKIE	20 378	34 300	5.34%	-0.040
POMORSKIE	27 690	46 913	5.41%	**-0.651**
ŚLĄSKIE	29 744	50 184	5.37%	-0.416
ŚWIĘTOKRZYSKIE	21 921	34 633	4.68%	-0.206
WARMIŃSKO-MAZURSKIE	20 921	34 532	5.14%	**-0.636**
WIELKOPOLSKIE	29 819	52 844	5.89%	0.447
ZACHODNIOPO-MORSKIE	25 212	40 594	4.88%	0.366

Source: Own elaboration based on the data available at: https://bdl.stat.gov.pl/BDL/start and at Eurostat database.

All regions in Poland recorded high GDP growth rate over the period 2006-2016, which is reflected in the average rate of change that amounted to over 6% per cent in dolnośląskie, małopolskie, mazowieckie, wielkopolskie regions with relatively high value of GDP. The lowest rate was observed in the voivodeship characterised by one of the lowest developmental levels (as far as GDP is concerned). In terms of GDP per capita, the growth was recorded in Polish regions, however, the rate was relatively lower than in the GDP volume, but still high.

Then, the author searched for the answers to the question whether there is a relation between the value of GDP (GDP/per capita) and the regional innovation potential expressed in the SSV in the period 2006-2016 (the year 2007 was excluded from the analysis). The analysis proved that only in the case of dolnośląskie and małopolskie region, the significant correlation was observed (r_{xy} higher than 0.576), while in mazowieckie, pomorskie and warmińsko-mazurskie, – there was a negative correlation. Therefore, we could assume that the growth in GDP in Polish regions in the period 2006-2016 is not reflected in the increase of their innovation potential (observed only in two regions), but the other changes in the regional economics took place. However, we must bear in mind the assumptions relating to the indicators describing innovation potential in our analysis.

Is the Regional Innovation Paradox Present in Poland? The EU Cohesion Funds Case

In the first period of cohesion policy implementation in Poland, in the years 2004-2006, the following amounts were allocated: EUR 8.3 billion for operational programmes co-financed from structural funds, EUR 0.35 billion for Community Initiatives, EUR 4.2 billion for the Cohesion Fund, from the Community resources (NSRF, 2007). During the next programming period, which covered a 7-year-long period, the funds were much higher due to the contribution of funds from the following financial instruments: European Regional Development Fund (ERDF), European Social Fund and Cohesion Fund in Poland amounted to EUR 66.6 billion for the period 2007-2013 (current prices), of which the highest indicative allocation for ERDF was EUR 33.3 billion.[51] The whole territory of Poland was covered by the Convergence objective due to the low level of economic development. Also the funds under the European Territorial Cooperation objectives were available.

In the National Strategic Reference Framework (NSRF) (2007), the strategic programming document for the cohesion policy implementation in Poland for 2007-2013, the strategic objective was formulated, which prioritized the support to promote also the knowledge-based economy as well as the "creation of the conditions for the growth of competitiveness of knowledge-based economy and entrepreneurship which are to assure an increase in the employment and in the level of social, economic and territorial cohesion". It also prioritized entrepreneurship, enterprises became very important, as a direction of support. It was reflected in one of the hori-

51. Art. 2, Commission Decision of 7th May 2007 approving some elements of the national strategic reference framework for Poland CCI 2007PL 16UNS001. Retrieved from https://www.funduszeeuropejskie.2007-2013.gov.pl/WstepDoFunduszyEuropejskich/Documents/NSRO_an_20_07.pdf

Table 4 *Total value of projects co-financed from the EU funds in Polish regions under all operational programmes 2007-2013, in PLN, as for December 2015; and GDP/per capita in PLN million, 2015*

	Voivodeship	Total value of the projects	GDP/per capita
1	MAZOWIECKIE	28 709 494 687.05	74 738
2	ŚLĄSKIE	27 258 894 052.15	48 686
3	DOLNOŚLĄSKIE	22 650 464 552.89	52 237
4	PODKARPACKIE	20 864 867 919.14	33 177
5	WIELKOPOLSKIE	19 371 248 441.27	50 821
6	MAŁOPOLSKIE	17 544 907 080.62	42 172
7	POMORSKIE	15 734 168 777.59	45 001
8	LUBELSKIE	15 300 243 295.61	32 077
9	WARMIŃSKO-MAZURSKIE	14 975 688 467.96	33 186
10	ŁÓDZKIE	13 045 030 683.94	43 790
11	KUJAWSKO-POMORSKIE	11 478 738 261.56	38 202
12	ZACHODNIOPOMORSKIE	11 403 686 571.31	39 585
13	ŚWIĘTOKRZYSKIE	11 176 655 887.38	33 844
14	PODLASKIE	8 392 244 508.84	33 276
15	OPOLSKIE	6 688 028 000.64	37 818
16	LUBUSKIE	6 544 846 425.61	39 053

Sources: Local Data Bank, available at: https://bdl.stat.gov.pl/BDL/start

zontal objectives of the NSRF (2007): "improving the competitiveness and innovativeness of enterprises, including in particular the manufacturing sector with high added value and development of the services sector", and another objective stressed the need not only to increase the competitiveness of regions, but also to prevent their marginalisation.

This NSRF was implemented through operational programmes, including the Operational Programme (OP) Innovative Economy 2007-2013 (2007). The main objective of OP Innovative Economy 2007-2013 was "Development of the economy on the basis of innovative enterprises" and the detailed objectives focused on the improvement of innovativeness of such kind of units, enhancement of the competitiveness of Polish science and the role of science in development. There was also the emphasis on innovative products on international markets and the use of ICT. The creation of workplaces also constituted another detailed objective (OP, 2007). This OP (2007) was supported from the ERDF and the financial obligations amounted to EUR 8.254,9 million (current prices). This was a programme of horizontal nature, what implies that all eligible entities, including enterprises, from the whole territory of a country, not limited to any other territorial units, could apply for the structural funds.

Then the question arises: do the regions which needed the funds in terms of their innovative potential absorb these funds the most? To answer this question, we analyzed the absorption of funds under all operational programmes implemented within the NSRF and the Innovative Economy 2007-2013 and the total value of projects was analyzed (qualified and non-qualified expenditures). We also considered the regions' capacity to mobilize domestic resources for co-financing of EU-funded projects (the so-called domestic contribution). The total value of projects co-financed under the NSRF and OP Innovative Economy 2007-2013 is presented in Tables 4 and 5.

Table 4 *Total value of projects co-financed from the EU funds in Polish regions under all operational programmes 2007-2013, in PLN, as for December 2015; and GDP/per capita in PLN million, 2015*

	Voivodeship	Total value of the projects	GDP/per capita
1	MAZOWIECKIE	28 709 494 687.05	74 738
2	ŚLĄSKIE	27 258 894 052.15	48 686
3	DOLNOŚLĄSKIE	22 650 464 552.89	52 237
4	PODKARPACKIE	20 864 867 919.14	33 177
5	WIELKOPOLSKIE	19 371 248 441.27	50 821
6	MAŁOPOLSKIE	17 544 907 080.62	42 172
7	POMORSKIE	15 734 168 777.59	45 001
8	LUBELSKIE	15 300 243 295.61	32 077
9	WARMIŃSKO-MAZURSKIE	14 975 688 467.96	33 186
10	ŁÓDZKIE	13 045 030 683.94	43 790
11	KUJAWSKO-POMORSKIE	11 478 738 261.56	38 202
12	ZACHODNIOPOMORSKIE	11 403 686 571.31	39 585
13	ŚWIĘTOKRZYSKIE	11 176 655 887.38	33 844
14	PODLASKIE	8 392 244 508.84	33 276
15	OPOLSKIE	6 688 028 000.64	37 818
16	LUBUSKIE	6 544 846 425.61	39 053

Sources: Local Data Bank, available at: https://bdl.stat.gov.pl/BDL/start

Table 5 *Total value of completed projects, co-financed from the EU funds in Polish regions under OP Innovative Economy 2007-2013, in PLN, as of December 2015; and GDP/per capita in PLN million, 2015*

	Voivodeship	Total value of projects completed	GDP/per capita
1	MAZOWIECKIE	6 497 059 199.32	74 738
2	PODKARPACKIE	5 637 634 121.88	33 186
3	ŚLĄSKIE	4 778 558 620.18	48 686
4	MAŁOPOLSKIE	4 360 150 159.14	42 172
5	WIELKOPOLSKIE	4 312 941 560.65	50 821
6	DOLNOŚLĄSKIE	2 673 976 584.26	52 237
7	ŁÓDZKIE	2 203 292 341.37	43 790
8	KUJAWSKO-POMORSKIE	1 980 920 787.24	38 202
9	POMORSKIE	1 553 239 158.70	54 001
10	LUBELSKIE	1 094 057 948.55	32 077
11	ŚWIĘTOKRZYSKIE	918 222 877.28	33 844
12	OPOLSKIE	864 579 966.93	37 818
13	LUBUSKIE	699 173 899.50	39 053
14	PODLASKIE	697 030 901.72	33 276
15	ZACHODNIOPOMORSKIE	571 134 148.35	39 585
16	WARMIŃSKO-MAZURSKIE	562 078 087.41	33 186

Sources: Local Data Bank, available at: https://bdl.stat.gov.pl/BDL/start

The highest value of projects implemented under all OPs was recorded in the capital of Poland – mazowieckie voivodeship, then in śląskie and dolnośląskie voivodeship. Thus, in the regions with high GDP per capita, which occupy 1st, 4th and 2nd position respectively in the GDP/per capita ranking, which are also characterized by the high contribution to the national GDP. The 5th and 6th places in the ranking are still occupied by the voivodeship with high GDP/per capita. It was only the podkarpackie voivodeship, being the region with low GDP per capita, which took relatively high position in the ranking- namely the fourth. The position of this region in the ranking of GDP/per capita was 15th, out of 16 regions (Table 4).

As far as the projects implemented under the OP Innovative Economy 2007-2013 are concerned (Table 5), the highest value of these projects was implemented in the voivodeships relatively well developed with the highest GDP per capita, which also ranked high in the analysis. The only exception is podkarpackie voivodeship, which occupied the 2nd position in the ranking. However, this voivodeship is classified among the less developed regions in Poland, as it was previously mentioned. The relationship between the total value of completed projects co-financed from all OP programmes implemented in Poland in the period 2007-2103 and GDP/per capita in 2015 is high, what is confirmed by the value of the Pearson correlation coefficient (it amounted to 0.69644). The GDP/per capita of the region is related to the value of completed projects (the value of the Pearson correlation coefficient amounted to 0.65233). Therefore, we can conclude that well-developed regions in Poland absorbed funds most effectively.

Then we analyzed the correlation between innovative potential and the value of projects implemented in Poland and co-financed from the EU cohesion policy in the programming period 2007-2013. The ranking of the regions in terms of innovation potential for 2015 and 2016, also the ranking of the voivodeships in terms of total value of projects co-financed from the EU cohesion policy within all operational programmes, within the OP Innovative Economy in the programming period 2007-2013, were analyzed.

The results of the Spearman rank correlation show that:

Innovation potential of Polish regions and the total value of completed projects co-financed from the EU funds amounted to $r_s = 0.661765$ (when analysing innovation potential for 2016), amounted to $r_s = 0.717647$ (when analysing innovation potential for 2015);

Innovation potential of Polish regions and the total value of completed projects co-financed from the EU funds under the OP Innovative Economy 2007-2013 amounted to $r_s = 0.726471$ (when analyzing innovation potential for 2016), amounted to $r_s = 0.667647$ (when analyzing innovation potential for 2015).

There is a high correlation between the total value of the completed projects co-financed from EU funds, also under OP Innovative Economy and the innovation potential of Polish regions.

The obtained results of the analysis are credible as they are also determined by the selection of variables. With this assumption, basing on the analysis, we can conclude that the innovation paradox exists in Poland and voivodeships with high position in terms of innovation potential are also ranked high considering the absorption of funds, also for innovation. Thus, the EU funds make a contribution to the improvement of the potential of well-developed regions, instead of the less-developed voivodeships. These constitute the preliminary results of the research, which should be further elaborated on.

However, the question is: what should be done to effectively absorb the funds for innovativeness by the less-developed regions? On the other hand, their innovative potential is still low. So, even if they obtain funds, they could not use them for achieving higher innovativeness due to their weak innovation potential. Nevertheless, as it is emphasized, economy should have the potential for EU funds absorption.

Therefore, it depends on the technological level of development, qualifications of employees, institutional support and other factors. If the region does not present the appropriate level of technological development, these financial resources do not bring the expected results (Gorzelak, 2014). The study shows that the value of funds from OP Innovative Economy has a positive significant effect on industrial enterprises that implemented innovations in 2009-2012, also the positive significant effect on the percentage of enterprises that implemented the new solutions (new solutions in the market) on the voivodeship level (Raport końcowy, 2017). However, there were other effects, not always positive (Raport końcowy, 2017).

Thus, innovative potential is needed, otherwise the public funds, including the cohesion funds, do not bring the expected results. The demand effect of the funds is visible, but the supply effect, including innovation and pro-development, is not unnoticed either (Misiąg et al., 2013). We can also bear in mind that the policy effects on the EU regions are positive (in terms of growth and employment), but their impact is not evenly distributed across member states (Crescenzi and Giua, 2018)

The question is what should be done to enhance innovation potential and the absorption capacity of the public resources in the regions lagging behind. Inevitably, one of the suggestions is to improve innovation systems and also focus more on the smart specialisation strategies. However, is should be the subject of further research.

Conclusion

To sum up, Poland is characterized by low innovation capability and classified among the moderate innovators. However, we argue that despite the need to increase innovation in Poland, the paradox of regional innovation exists in this country in a different dimension, which deepens the existing disparities and makes cohesion problems more acute.

Polish regions were considered as moderate or modest regional innovators. The SSV ranking referring to the regional innovation potential shows that the situation of the best and worst performing regions is rather stable. Therefore, efforts must be taken to improve this potential. Poland received funs under the cohesion policy after 2004, and these were funds aimed at improving the innovativeness of regions.

During the programming period 2007-2013, funds were obtained through operational programmes, including the OP Innovative Economy 2007-2013, which focused on the improvement of enterprises' innovativeness. However, as it was shown, the highest value of projects under the OP Innovative Economy was implemented in the richest regions, with one exception: podkarpackie voivodeship. Also the GDP growth in the regions is not related to the improvement of innovative potential. Thus, the economic policy in Poland, including innovation policy, should change this situation and be aimed also at the improvement of the Regional Innovation system. Therefore, the innovation potential of Poland should be enhanced to effectively absorb these funds at different levels, not only in the regional dimension.

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BUILDING A STRONGER EUROPE THROUGH CULTURE: EUROPEAN CAPITALS OF CULTURE. SUCCESSES, FAILURES AND LESSONS OF THE GREEK CASE

Georgia Manolopoulou

Introduction

The European Capital of Culture (ECoC) has becoming a significant cultural event, a program that provides the framework for several significant narratives connecting culture and regeneration in European cities. ECoC is a huge opportunity for the cities to build a strong cultural identity, to have an European dimension, to promote the participation and active development of the city's inhabitants and mainly to contribute to the long term development of the city and its surrounding region.(Boland, 2010). The title gives the opportunity to forge an image of an attractive and creative European identity open to cultures from across the world, to foster social and territorial cohesion within city boundaries and beyond.[52] Culture has an essential role for sharing the European Union s "common ground". "*Culture is a key principle of the European project, and must remain firmly entrenched in our ideas if we are to succeed in achieving a truly inclusive, just, and diverse union*" (European Union, 2014).

Cultural flows between people keep intensifying in our globalized world. The President of the European Parliament Antonio Tajani[53] re-

52. https://ec.europa.eu/programmes/creative-europe/sites/creative-europe/files/library/capitals-culture-30-years-brochure_en.pdf

53. http://www.europarl.europa.eu/ep-live/en/other-events/video?event=20180626-1400-SPECIAL

cently, on July 2018, underlined the significant role of culture, during the "*Culture and Heritage in Europe. Linking past and the future*" conference held in Brussels. His statement was that *"the European world future needs a beating Cultural Heart to survive*". Towards to this approach the institution of European Capital of Culture has been created and reformed, in order to bring peoples of Europe together, as a EU action for the enhancement of the wealth of diversity, the common ground of European Culture and the improvement of mutual understanding between European citizens. European policy and EU programs "*have been very important in raising public awareness on certain issues*" (Houliaras, and Petropoulos, 2016).

Culture now more than ever need to cause an interactive dialogue with all aspects of life, the past, the present, and the future of the world and its inhabitants (Duxbury et al., 2016). A new holistic approach is being shaped for European cities, addressing issues such as: values, solidarity, learning, creativeness, authenticity, inclusivity, interaction, digital technology and cultural industries reformed under the shape of humanity (Dietachmair, 2007).

Greece has already hosted the European Capital of Culture three times, Athens 1985, Thessaloniki 1997 and Patras 2006 and we are heading for Eleusis 2021. Eleusis was nominated as the European Capital of Culture 2021 in 2016 and aims to have in the European dialogue[54] through its program called "*Transition to* EU*phoria*".

The European Capital of Culture Title. EU Cultural Policy

"Culture, Art and Creativity are no less important than technology, commerce and economy. How is it really possible for a Community without its cultural dimension to grow?"

Melina Mercouri 1985, founder of ECoC

In 1985 Melina Mercouri as the Greek Minister of Culture arose the question about the role of cultural policy within the European Union towards a sustainable future of Europe and all humanity. Europe's Culture Ministers could not but agree with Melina Mercouri that culture can be a transformative soft power for growth and to nourish nation's soul (European Commission).Melina Mercouri took the initiative to start the European Capital of Culture in 1985 in Athens. The concept was new and at the be-

54. https://eleusis2021.eu/

ginning did not include the experiment in social integration of minorities but gave the challenge to think that culture can be considered as an innovative tool for development under the European cultural identity.

Since then ECoC it became one of the most high profile cultural initiatives in Europe. Thirty four years later the Europeans Capitals of Culture are Europe's most collaborative cultural project both in scope and scale, with budgets far exceeding those of any other cultural events. Among others their aim was to make Europeans aware for what they have in common, their common ground (Sassatelli, 2002). The cities are selected on the basis that they have a sustainable strategic plan and a European dimension. it's their unique opportunity to establish a cultural identity, to be placed in the Cultural World Map and re-birth their development through Culture.

After the 2010 the entitled cities have been awarded the Prize "*In honor of Melina Mercouri*" of the amount of 1.500.000 euro. Each year two cities from two different EU Members have the right to hold the title under the context that culture, can act as a key factor for social inclusion, social cohesion, the harmonious coexistence in this difficult historic period for the global communities, a "growth instrument" that can teach cultural diversity and democracy (European Parliament, 2014). Culture according to European Commission (2010) can unlock full potential of cultural industry as an offering of the operational context in international relations. Cultural relations are not only an asset in the race for soft power competitiveness, in times of crisis in Europe, they also represent a potential to be better exploited internationally.

European Capitals of Europe for the years 2014-2020 were funded by the program Creative Europe of the European Commission. The competition for hosting the institution starts six (6) years in advance, in order the cities to have the sufficient time to be prepared before the launch of the title. The renovation of existing assets for cultural purposes together with the development of non-cultural facilities, buildings of new facilities or planning new cultural infrastructures is a target for the entitled city. Information about cities awarded the ECoC title is available on the European Commission site and there is a study held by European Capital of Culture Archive in the Directorate General of Education and Culture (Gomes, and Liberio-Cano, 2018).

The Development of ECOC

The growth of the ECoC program profile, not only across Europe, but also in an international level has led to a serious of considerably advancements and legislative framework at EU Level. The advancements are translated into three main periods reflecting the key EU decisions as reported from the Policy department B Structural and Cohesion Policies[55] (Garcia, 2013).

First Period 1985-1996

The first circle of the program of European Capitals of Culture was considered as an intergovernmental activity and the cities were mostly nominated by the State. The program didn't have a legislative framework and the nominated cities had only two years to prepare. During this phase few ECoC member cities developed innovative initiatives such as Glasgow 1990, Antwerp 1993 and Copenhagen 1996 who shared the same inspirational vision to transform their city with Culture.

Second Period 1997-2004

A new era of the European Capital of Culture of Europe has been established. The Program went under the umbrella of the EU Culture program, first at the Kaleidoscope and then Culture 2000. EU funding grew over this period towards to new European policy by defining a district and inspiring vision for nominated cities such as raising the capacity and ambition for the cultural industry, and a cultural identity for the host city as a leading cultural center. During this period a new circle had begun with 19 cities in 14 countries. In 1999 the European Parliament and the Council of the EU agreed to change the program's name and instituted as "European Capital of Europe". Evaluation began under a selected panel of independent cultural experts.

Third period 2005-2019

The European Capital of Culture of Europe Program has its first legislative framework and becomes a Community Action involving the inclusion of

55. Directorate general for internal policies policy department B: structural and cohesion policies.

formal European dimension criteria in the same line with the Maastricht Treaty and certain selection guidelines for monitoring and evaluation Processes. A monitoring panel will now keep in track of the progress of the designated cities offering guidance to comply with objectives and operational goals of the program. ECoC has now its momentum to share cross-sector agendas across culture, education, industry and social change to set goals and its objectives and deal with major research gaps as highlighted in Garcia and Cox (2013).

The fourth period (2020-2033)

The next period covering 2020-2033 has been an updated version of the legislative framework by the European Parliament (EP), Council of Ministers and European Commission. The vision is based on sustainability and growth, promotion of mutual understanding and intercultural culture. Transformation is the key factor in reinforcing the vision of ECoCs contributing to sustainable urban regeneration (European Parliament, 2014).

A report conducted by Garcia ad Tasmin Cox in 2013 on behalf of the European Parliament refers that funding of the program have resorted from different sources of financing, depending on their geographical situation, their size and other socio-political circumstances drawing financing from national governments (37%), locals and regional governments (34%) and private sectors additional with the support coming from the European Commission.

At the first period of the program the local authorities had the direct administration of the event but soon after the year 1999 it was converted as an independent body, an institute, in the form of a foundation or a nonprofit organization. An organization took over the management of the hosting event in order to prevent political influence (Gomes, and Librerio-Cano, 2018).

Greece's ECOC Titles

Embracing the title of the European Capital of Culture is about transforming the city in *a living culture cell* by engaging different groups, from politicians, to the local culture and private sectors, local communities, young people etc. Culture by all means is a strategic opportunity at local, national and international level to support innovative entrepreneurial initiatives with an emphasis on sustainable resource management and exploitation. Cities have their opportunity to discover culture as an instrument for reconversion, a tool for integration, a pillar of European identity within Europe and beyond and a vehicle for economic growth (Palonen, 2010). Greece has already hosted the Institution of European Capital of Culture three times: Athens 1985, Thessaloniki 1997, Patras 2006 and the forthcoming Eleusis 2021 together with Timisoara and Novi Sad.

European Commission indicates that one of the most important legacies of ECoC is the investment made in the creative sectors (European Commission, 2010). An investment that creates a lasting legacy of the city that goes beyond infrastructure but moreover as a city branding catalyst for the interior and exterior profile. Both Thessaloniki and Patras lost the change to establish a cultural brand name of the city. Especially Patras lost the big opportunity to increase engagement with the cultural factors, with communities and industries in a long term basis. Even the infrastructure investments which most of them were given to the public the last days, were later demolished and led abandonment without a beating cultural heart.

Athens was the first one to be entitled, in 1986, after Melina Mercouri conceived and launched the idea, and was the first European city that highlighted the Cultural Heritage of Greece mainly through exhibitions. Only seven months were spent on planning Athens ECoC. Citizens, artists, visitors participated at numerous events. A very important exhibition was presented in National Art Gallery which was inaugurated by Francois Mitterand, the former French President.

According to evaluation (European Commision, 2018) the city had already an international profile but Athens managed to a certain level to engage audience less likely to attend or participate in cultural events. Athens was the first Cultural Ambassador, in terms of cultural diplomacy and created new opportunities for the cultural organizations with a direct result to increase its cultural tourists and to attract visitors from the field of the cultural industry. All the Greek cases had the opportunity to be benefited from the establishment of a strong cultural identity as a tool for urban transformation by the sectors of creative industries.

In the study held by the European Commission for the celebration of 25 years of the ECoC, the Commission asked some of the previous European Capitals of Culture seven (7) questions about the event they had organized. It received answers from 23 cities, which are published in this brochure (European Communities, 2009). Maria Mihailidoy, one of the team of Athens ECoC answered the following question of the European Committee: "*Which part of the program do you consider to have been the most successful?*" And she replied: "*the most successful part is always music. Music is a language that can be understood by everybody, even if you do not speak the language. In addition to music, theatre and dance events as well as cinema have also been popular*".

Thessaloniki on the other hand, the city of cultural roads and a bridge between Europe and the East, hosted the 1997 the ECoC title. Citizens were deeply involved and the expectations were enormous (European Communities, 2009). Thessaloniki wanted to brand itself as the "Metropolis of Balkans". The strategic plan didn't go so well due to the resignation of four artistic directors and four managing directors. Although a number of building projects were launched, from renovating museums, theatres and Art venues with intercultural identity, the city did not reach the "European extra value".

A question arises: "*Why Greek ECoC cities invested large sums of money and energy to organize the cultural event without having a realistic strategic plan in order to enter on the European cultural map and to launch long term development inside the country and abroad*"? The ECoC of Patras in 2006 was described as a complete disaster by its evaluator (Bob Palmer), although a large amount of money was invested. He was the one that had recommended two years earlier, to the European Commission that the title should be taken away. According to Bod Palmer,[56] the main reason of the failure, was that the city of Patras, didn't meet up with the certain European policy which underlines that: an ECoC event has evolved into a structural type of investment that goes beyond the logic of an annual cultural program in order to encompass impacts on the longer term in the socio-economic development of the city and its surrounding area.

The official program of Patras ECoC event was only launched in March 2006 and the events received little attention by media and by visitors. According to Bob Palmer's report, the whole program was a negative manifest where culture was underlined with the phrase "culture is all about images…". Almost two years before 2006, the European Commission wanted to withdraw the title from Patras in order to avoid disaster, bearing in mind all the uncertainties, including financial ones. In the study held by the European Commission (2010) for the celebration of the 25 years of ECoC

56. http://ecoc.poieinkaiprattein.org/european-capital-of-culture/patras-2006/evaluation-of-patras-2006/

the case of Patras wasn't even mentioned. Patras lost her chance to enter in the national, European and world cultural map and to establish a cultural identify city brand by all means.

The evaluation of the Greek ECoC was made with a few primary data. Research data obtained by questionnaires and interviews but there is lack of research papers and evaluation reports in Greek ECoCs especially on the impact of areas field. It is important, though to be mentioned, that the city branding strategy is compatible with the synergy between culture and urban context and public space that came in the second period of the ECoC, so the Greek State hadn't endorse a plan with it. Moreover there was a chaotic and inefficient management of ECoC in Greece with lack of a sustainable strategic plan by the State in Greece, which was based on clientilistic relationships. The case of Patras indicates the large influence of politicians towards the guidance of the experts of EU, who had seen the lack of capacity (European Communities, 2009).

It is difficult to compare the three Greek cities that entitled ECoC due to the heterogeneity of the organizing cities in terms of the time period, of size, budget, strategic plan, cultural synergies, and the so called cultural governance approach (Sykes, 2011). Moreover, at the beginning of the imitative of ECoC the three Greek cities had a lack of guidelines on data collection and evaluation methods. Greek ECoCs didn't achieve to promote urban development or regeneration of the cities under the sector of creative industry. To a certain point failed to introduce a cultural strategic planning and to mobilize citizens. Greek ECoCs didn't share the big Vision of the European Commission and adopted the agendas and priorities of the state agencies by developing the so called "dependency culture" as most of state and non-state organizations in Greece (Houliaras, and Petropoulos, 2016).

Elefsina 2021-Transition to Euphoria[57]

The new challenge

Eleusis was nominated as the European Capital of Culture 2021 in Greece on the 9th December 2016 and aims to become an effective mediator in the European dialogue[58] through its program called "*Transition to* EU*phoria*".

57. Euphoria is a Greek word meaning feeling or a state of happiness
58. https://eleusis2021.eu/

The challenge the city is facing is to redefine its relationship between sustainability and the connection of all human activities with Art and Culture. The first main theme according to her Book is to correspond to the great challenge that Eleusis and Europe are facing today, based on the pursuit of the EU according to Eleusis2021 Book[59] "*Just as Europe is being shaped by an ongoing process of searching for a model for coexistence of different nations, located in distinct geographical areas, thus is Eleusis composed of many different ethnic groupings.Some of these live in distinct neighborhoods within the city*".

EUphoria ECoC Eleusis2021 Program is divided in *EUnvironment,* corresponding to significant areas of the relationship between *contemporary humans* and the *environment.* The "*Demeter-Mother Earth*" program focuses on our relationship with food. The "*Persephone*" program focuses on our relationship with urban green areas. The *"Ecoculture"* program focuses on climate change, energy and recycling. Finally, the "Feminine Nature" programme focuses on cultural heritage and femininity.

EUrbanisation: The second main theme of Eleusis2021 aims to redefine our relationship with the *other* as mentioned in Eleusis ECoC Book 2020[60] "*Besides these very ancient cultural roots of the European continent, urbanism is perhaps the most important characteristic of European identity*." European identity is underlined that has been shaped through urban politics dictated by a common past, by our living conditions within the city: our work, our neighborhood, our family, our urban content and the future we all want to share in Europe. The program of the forthcoming ECoC event 2021 is based in the European policy dimension, Eleusis2021 wants to be seen as a "mirror" of Europe, therefore focuses on the way our European society is formed by sharing common ground not only to the reference of its past but also to her living life heritage whereas European citizens are related.

Conclusions

The first half of 2020, Croatia has the presidency of the Council of the European Union and Rijeka, one of the largest cities in Croatia, will take the title of ECoC 2020 starting by organizing in March a big conference entitled: *The role of Cultural Heritage in socio-economic Development and*

59. https://issuu.com/eleusis2021/docs/eleusis21_ebook_gr
60. https://issuu.com/eleusis2021/docs/eleusis21_ebook_gr

Preservation of Democratic Values under the unique framework mentioned of the vision of the EU cultural policy. It will focus mainly, on the research and innovation in the field of the social sciences and the humanities with dedication to the domain of cultural heritage, including the role of digitalization and the importance of education.

The impact of the European Capital of Culture in the economic growth of the entitled city, should be a remarkable source of richness locally and regionally. This effect is determined to a large extent by the capacity to include a project involving cultural cooperation across and outside Europe's borders, attracting tourists to the hosted cultural events, as the economic impact is "*especially noticed in the sectors of creative industries*"(Herrero, 2006). Furthermore the ECoC, as a tool of cultural Diplomacy, has a great potential to overcome divisions, strengthen fragile societies and improve international relations (Hugoson, 2015). Every country though, according to its historical content has different approach depending in grade number of the cultural mindsets of the actors involved at the cultural governance (Gienow-Hecht and Donfried, 2010).

The impact of European Capital of Culture on social cohesion according to European policy is distinct as (Hamza, 2014): culture as a means of building social trust and social capital, culture as a place for greater democratic inclusiveness and equity and cultural organizations and cultural channels, as laboratories for social innovation and experimentation with new symbolic resources in order to transform European Union as a stronger global actor, a better international partner and a stronger contributor to sustainable growth, peace and mutual understanding. Culture as "*a source of exchange, innovation and creativity, cultural diversity is as necessary for humankind as biodiversity is for nature. In this sense, it is the common heritage of humanity and should be recognized and affirmed for the benefit of present and future generations' (UNESCO, 2001).*

An important aspect that ECoC policy makers and urban planners have to pay attention is the risk of planning cultural events "*neglecting permanent residents in favor of temporary visitors*" *(*Nechita, 2015). A parameter that should be considered in order the city to maximize its benefits of the ECoC is to mobilize both strong and sustainable commitment from the relevant local, regional and national authorities and from the local actors and communities. In addition, public private partnerships are essential towards to this approach (Pascual, 2007). The Greek ECoC didn't achieve to accomplish successfully that last parameter, the so called cultural governance. Eleusis is the forthcoming ECoC in 2021 and we look forward to transmitting to *EUphoria*

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Associated Links

[1,2] https://ec.europa.eu/programmes/creative-europe/sites/creative-europe/files/library/capitals-culture-30-years-brochure_en.pdf

[3] http://www.europarl.europa.eu/ep-live/en/other-events/video?event=20180626-1400-SPECIAL
[4,8] https://eleusis2021.eu/
[6] http://ecoc.poieinkaiprattein.org/european-capital-of-culture/patras-2006/evaluation-of-patras-2006/
[9,10] https://issuu.com/eleusis2021/docs/eleusis21_ebook_gr

RESPONSIBLE ENTREPRENEURSHIP IN REGIONS AND THE ROLE OF EUROPEAN STRUCTURAL FUNDS DURING 2014-2020 PERIOD

Evangelos Taliouris

Introduction

Since 1957 and the treaty of Rome, the European integration process was not linear politically and institutionally. Up till now, this process is focused on the closer relationship among European countries through a common policy framework about the free movement of labor, trade, services and capital. Different interests among member states and social stakeholders, as well as perspectives about the European integration process by EU pioneers (e.g. Jean Monnet, Spinelli) (EU. Pioneers), are integrated and pictured in the main features of European institutional setting and policy features (Mendrinou, 2016; Tsinisizelis and Chrysochoou, 2016) European integration in postwar times was also based on the prerequisite that development asymmetries as well as peace must be dealt with common policies and solutions(Glencross, 2015).

The challenge of social and economic cohesion although is still present reflects that time the necessity of European Investment Bank (Article 130) in the Treaty of Rome: "SOLLECITI di rafforzare l'unità delle loro economie e di assicurarne lo viluppo armonioso riducendo le disparità fra le differenti regioni e il ritardo di quelle meno favorite" (EEC, 1957:11). The millions of deaths and the negative socioeconomic outcomes of wars, set peace keeping actions and institutions as the major challenge for Europe (Tsardanidis, 2016; Kershaw, 2015). Consequently, peace was the major issue that concluded to other derivatives such as development, social cohesion and wellbeing. These were significant in order for the European integration to be viable and sustainable.

From an institutional perspective, the issues above were linked with EU regional policy and the first enlargement process (United Kingdom, Ireland, Denmark) at the end of '60s and the '70s. An amount of money through subsidies was transferred to regions in order to create jobs and infrastructures in poorer regions of existing member states. During 80s', the Integrated Mediterranean Programs was a remarkable step towards initialization in order to deal effectively with the issue of development and cohesion among member states (Sakellaropoulos, 2016; Maravegias and Katsikas, 2016). This political issue was not neutral and underlined the political issue of cohesion in terms of economy, development and democracy for Spain, Portugal and Greece.

Towards that direction, the political impact of European Structural Funds (ESFs) was great and influenced the modernization of administration, infrastructures and policy making process. Without any dispute, the periods that ESFs took place (1989-1993, 1994-1999, 2000-2006, 2007-2013, 2014-2020) is significant for member states such as Greece, due to the fact that many development priorities and policy topics have even nowadays a positive impact on topics such as environmental sustainability, human development, innovation and entrepreneurship (Commission, History of the policy). The latter is a significant policy realm in Greece, which incorporated business community into development activities and set up an essential stakeholder in employment creation, social inclusion, environmental sustainability and competitiveness in sectors such as industry, tourism and trade. The engagement of the business community in sustainable development became strategic in Greece via the incentives that ESFs had in development Targets, especially the period of 2014-2020 that took place during crisis (Hellenic Republic, 2013).

This paper is based on a qualitative research analysis for ESFs' impact in sustainable development and the business sector engagement through responsible entrepreneurship incentives in Greece. The paper uses also the method of theoretical investigation for CSR and responsible entrepreneurship terminology in ESFs policy making for the period 2014-2020 in Greece. The paper will elaborate the topic of sustainable development policies at first at multilevel governance level through an extra focus on responsible entrepreneurship and the policy instruments that based on the

European Structural Funds in the 2014-2020 period (e.g. financial incentives, labeling). The method of literature review is also used in order to analyze the dimension of political CSR, which affect the public policy for responsible entrepreneurship. Moreover, the paper also uses the method of archive research in national documents for 2014-2020 and 2007-2013 (the so called "ESPA"- National Strategic Reference Frameworks) and evidence-based policy analysis to understand the political implications of sustainable development funding in topics such as corporate social responsibility and responsible entrepreneurship in development activities (e.g. tourism, industry). The ESFs 2014-2020 in Greece at large were linked with the negative socioeconomic outcomes of crisis, whilst the issue of entrepreneurship and social responsibility was identified in numerous developments Axis in Regional Development Programmes (e.g. Target 9).

Sustainable Development and Responsible Entrepreneurship: Theory, Policy Practice

The report of World Council on Environment and Development in 1987 (Our Common Future) defined sustainable development as "the development that meets the needs of the present without compromising the future generations ability to meet their own needs" (WCED, 1987). Since first definition of sustainable development, significant debates are taking place for its political content and practice as well; the latter was improved in international and European policy in 21st century (Commission, 2001; 2016). The global meetings of Rio 1992, Johannesburg 2002, Rio 2012 again, in combination with Millennium Development Goals and the transition process to Sustainable Development Goals 2030 in 2015, indicates that the issue of sustainability 30 years after the first definition is present.

Sustainable Development Agenda 2030 and Goals (SDGs) are major political outcomes and objectives of development process and political discussions up till now among states and stakeholders (UN, 2015). This fact affects not only societies from a multilevel governance perspective, but also policy making agenda in EU and member states. EU set an overall policy framework in 2015 for SDGs and their targets, whilst a significant number of its member states present and adjust to EU objectives the national reports (including Greece) (Commission, 2016; Hellenic Republic, 2018). What is important especially for the ESFs in the new programming period is the connection with SDGs and the use of best practices. In sum, the SDGs for 2030 are 17 and divided in Goal 1: End poverty in all its forms, Goal 2: Zero Hunger, Goal 3: Health Goal, 4: Education Goal, 5: Gender equality and women's empowerment, Goal 6: Water and Sanitation 7-12 Goal, 7: Energy Goal 8: Economic Growth, Goal 9: Infrastructure, industrialization, Goal 10: Inequality, Goal 11: Cities, Goal 12: Sustainable consumption and production, Goal 13: Climate Change, Goal 14: Oceans Goal, 15: Biodiversity, forests, desertification, Goal 16: Peace, justice and strong institutions, Goal 17: Partnerships.

Some of the Goals above are focusing on the business sector contribution to sustainable development. This happens because business sector responsibility in environment, social cohesion and economic growth is crucial for the SDGs fulfillment. Furthermore, sustainability seems to maters nowadays because is a trend in many business operations, although that as an approach is not new. Professor Peter Drucker used to claim in 1982 that the proper "social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well paid jobs, and into wealth" (Taliouris, 2014).

During the 90s, the business sector has stressed its attention to their social role and environment. The development of self-regulated mechanisms and sustainable development initiatives (ex. World Business Council for Sustainable Development, CSR Europe) indicated the fact that business sector started to focus on Sustainable development (Banerjee, 2008; Hopkins, 2003; Taliouris, 2018; 2019). The fact that business sector is considered significant stakeholder is also marked in documents such as Brundtland Report in Chapter 3: "Ensuring Responsibility in Transnational Investment" (WCED, 1987:75-76). Millennium Development Goals were also a significant step towards that as well as Sustainable Development Agenda 2030 and Goals. In some of the targets, business sector contribution in sustainable development is the prerequisite (e.g. SDG 17 in trade agreements 17.10 and 17.12, the public-private partnerships in 17.17).

The business sector responsibility and conduct to SDGs 2030 is an important step towards the Sustainable Development Agenda, not only internationally but in EU too. This fact is justifiable because European business sector has a significant responsibility due to its share and impact in international transactions and trade. EU in the official document "Towards a sustainable Europe by 2030" (Commission, 2016) stresses the importance of business sector in sustainability issues via the form of Corporate Social Responsibility (CSR) and the practices of responsible entrepreneurship at chapter "3.2.3 Responsible business conduct, corporate social responsibility and new business models" (p. 26-27) (EC, 2013).

The European CSR and responsible entrepreneurship approach are focusing on topics such as sustainable international supply chains, linkages with social economy, sustainable consumption etc. As mentioned above, political CSR perspective exists in EU since 90s, via an implicit and silent CSR way both in business practices and policy making (e.g. environmental and labor legislation) (Taliouris, 2014; 2018; 2019). Hence, the fact that CSR is linked explicitly with SDGs 2030 is nothing but the continuation of an existing political process, which became more explicit in 2001 by the first European definition for CSR.

Currently, one of the major issues in CSR practice and policy making is the definition of business sector because it incorporates both big-Multinational Enterprises (MNEs) and Small-Middle Enterprises (SMEs). This is an issue that EU first underline in 2002 in the official document "CSR: the business contribution in Sustainable Development" and also in 2003 (Commission, 2002; EC, 2003), when introduced the term responsible entrepreneurship as a synonym to CSR regarding SMEs responsible activities.

According to this document the definition is: "Responsible entrepreneurship means how to run a business in a way that enhances its positive contribution to society whilst minimizing negative impacts on people and the environment" (EC, 2003:7). In 2007, the programs Small, Clean and Competitive and Opportunity and Responsibility were presented, which focused on CSR practices and policy making for SMEs. In 2007, 2011 and 2014a, CSR became a policy topic in EU, that concluded in the National Public Policies reports. The main CSR policy instruments and topics are presented in these EU reports incorporated also its member states practices, while SMEs are a unique CSR policy topic. This is plausible because SMEs are the backbone of EU development sectors (almost the 99%), they contribute significantly to domestic production line and they hold a significant position in supply chain at international and domestic level. Hence, SMEs special characteristics towards CSR and sustainable development are significant and they were also mentioned in EU renewed CSR Strategy 2011-2014 and "Towards a sustainable Europe by 2030" policy document (Commission, 2011; 2016).

Additionally, the relation between SMEs with CSR and responsible entrepreneurship is vital for the prosperity of SDGs in EU. The CSR concept within contemporary globalization process provides a sustainable development path for business sector, where their financial and development activities won't be an isolated economic function but a complex and responsible integrated assessment (Commission, 2001; 2002; Elkington, 2004).

According to Commission's report "Green Action Plan: Enabling SMEs to turn environmental challenges into business opportunities" (2014b), the European manufacturing firms spend 40% of their costs on raw materials, while their labour cost is 20%. Therefore, the resource efficiency improvement in the case of SMEs offers an opportunity, due to their savings potentials (approximately €630 billion per year for the European industry). Moreover, green entrepreneurship is a trend that is already addressed in education and European markets, where the need for the environmental awareness in combination with profit maximization is also linked with material process (e.g. reuse and recycle) (Eurobarometer, 2013).

According to literature review, it is important to mark that SMEs are not little big business (Tilley, 1999); therefore, the policy perspective one size fits all is not viable in CSR too as well as sustainable development. This mainly happens because SMEs characteristics and potentials towards it differ in terms of size and operations (EC, 2011), moreover the term CSR usually pictures better the MNEs experience and actions. Hence, the knowledge share among MNEs and SMEs seemed to be crucial for EU, especially in policy making and funding that is directly linked with ESFs. Additionally, the CSR public policies' formulation for SMEs and promotion of CSR policy instruments (e.g. Impact Project, 2012; 2013), requires a knowledge share and exchange among member states and their regions especially through the practise of ESFs or other interregional co funded programmes (CSR Roads Project 2014-2020, DESUR Project 2007-2013).

Additionally, CSR concept in SMEs is not always perceived or adopted in the same way as it occurs in MNLEs (EC, 2011; Murillo and Lozzano, 2006; Spence, 2007), because of the fact that CSR first conceptualized for MNLEs externalities (EC, 2011; Spence and Perini, 2010; Russo and Perini, 2010). Consequently, the term responsible entrepreneurship for SMEs (as it also introduced politically by EU in 2003) is closer to their experience and sometimes appear in public policy design for CSR at member states level (EC, 2011; 2014a). The classical CSR terminology is not always familiar to SMEs, thus, synergies' improvement with larger group of companies and knowledge transfer are significant (Commission, 2011). This is also important among SMEs too due to their sectors' diversity and their multiple size (medium, small, micro) (Lepoutre and Heene, 2006).

The formulation of public policies towards responsible entrepreneurship is significant in order to pioneer CSR and meet the targets of SDGs 2030. Hence, the effective use of national and sub-national CSR public policies as well as funds (e.g. ESFs) is vital (Commission, 2011; EC, 2007a; 2011). The latter is significant for CSR conection with SMEs special characteristics (EESC, 2012), especially if we take into account the need ESFs to incorporate responsible entrepreneurship in line with SDGs 2030.

Responsible Entrepreneurship and European Social Funds in Greek Regions 2014-2020

Responsible entrepreneurship in Greece is strongly associated with the role of SMEs and it is also important to note that there is an increasing trend in sustainable development actions and attitudes (Eurobarometer, 2013). Specifically, 24% of SMEs report that they are already undertaking recycling activities, while a significant number (23%) or implementing strategies on sustainable products and services as a responsible entrepreneurial action. What is important for this business group is the need for capacity building towards CSR and customized policy including economic initiatives.

This is important at national and regional policy level, because CSR seems gradually to turn into a political practise too. In some Regions like Crete, the SMEs responsible entrepreneurship are under ESFs 2014-2020 Intereg programmae "Road of CSR". More specifically, the ESFs implementation programmes in Greece through the NSRF 2007-2013 were focusing on implicit CSR activities such as environmental SMEs' modernization. This is also mentioned in Commissions reports for CSR National Public Policies (2011; 2014a). Another remarkable responsible entrepreneurship initiative towards CSR policy making in Greece were the Memorandums of the Ministry of Labor with Private Sector and CSR Greece for youth employment and Gender Equality (the latter was under the General Secretary for Gender Equality of the Ministry).

Responsible entrepreneurship and its connections with SMEs were also underlined in National Strategy for CSR (NSCSR) in 2014 and 2017. More specifically, the 1st NSCSR consultation paper (2014) indicated SMEs as significant stakeholder because of their employment share. In this 1st

NSCSR, they are indicated four national priorities by 2020 such as human development, environmental sustainability, climate change and market. These priorities were crucial for SMEs especially in co-management synergies with local stakeholders and regional authorities; a fact that might is pictured already in social capital improvement (e.g. social entrepreneurship and initiatives such as social grocery store, social farms).

Hence, the incorporation of CSR standards in SMEs (e.g. financial reporting) is a great issue that must be undertaken and supported financially in terms of capacity building, because it also secures transparency in terms of corporate governance in EU and Greece. In 2017 the Ministry of Economy introduced a new consultation paper for NSCSR, which differentiates the perspective for CSR and its policy, including the SMEs and responsible entrepreneurship practises (e.g. rural sector). What is important and remarkable is that both strategies underlined the need that CSR policies must be linked directly with ESFs new programming period in order implicit and explicit responsible entrepreneurship initiatives to be better promoted.

At regional level, a notable case is the Region of Crete. Therefore, it is worth to be noted some actions at Municipalities level few years ago such as local initiatives for social inclusion or CSR code of conducts, which were based on responsible entrepreneurships actions against poverty and social exclusion. These actions were mainly referred to vulnerable social groups. In 2006, the ESFs co-funded programme EQUAL was implemented and it was a remarkable step towards silent CSR and responsible entrepreneurship, because of the connections with social economy stakeholders. Some local private companies develop also a responsible entrepreneurship scheme in collaboration with social business under the Development Partnership called Zeuxis (Taliouris, 2019; 2014). In 2014 and after the National CSR Strategies from Hellenic State, the political case of CSR became explicit and affect vertically the policy making in Greek Administration.

Especially after the final National Strategy for CSR in 2017, which payed a particular emphasis on SMEs' responsibility towards sustainable and human development. That fact influenced policy planning locally and regionally not only in terms of strategy but also in funding policy from national and European funds such as ESFs. For instance the DESUR programme in the Region of Western Macedonia and the Road of CSR in the Region of Crete later In 2017, are significant steps because they are co-funded by ESFs (Interreg) and eventually are focusing on policy making for responsible entrepreneurship and capacity building in CSR initiatives (Taliouris and

Maravegias, 2018; Taliouris, 2019; 2018). At the Region of Crete, another initiative is the policy steps and discussions towards a regional CSR strategy that will be associated with the social inclusion regional policies and strategy (the call for interest in March 2016, in document No. 51636). This was a very interesting step in terms of policy making because it creates a path dependency on how to link CSR and responsible entrepreneurship with other policy realms but also on how to allocate financial resources from ESFs through the Regional Operational Program (ROP) 2014-2020 (RC, 2014), and in particular those for social inclusion and poverty elimination.

Summing up, it is reasonable to underline some of the development axis in the Regional Operational Program 2014-2020, which focused either on implicit and explicit CSR and responsible entrepreneurship. Hence, this paper tries to propose the policy path for regional policies for CSR and sustainable development via the use of ESFs. This paper will try to identify this development Axis bellow with both CSR implicit and explicit characteristics (according to the literature review and theoretical investigation above. For instance, Investment Priority 9iv focused on sustainable development state initiatives via the form of synergies with SMEs in order to create new jobs. Another Investment Priority was 10a, which introduced the concept of implicit CSR and business competence in national education system and curriculum in schools, universities and vocational training institutes (e.g. environmental modernization, ethics e.t.c).

Investment priority 8v was focusing on an implicit CSR topic such as the employees', businesses' and entrepreneurs' capability to be adaptable in labor market changes in terms of skills and competences. Additionally, the development priority 8iii was mainly focused on self-employment, entrepreneurship and start-ups and innovative SMEs. This priority might be better linked with Smart Specialization Strategy (RC, 2015) and SDGs 2030 at future ESFs programming period; especially if we assume that innovation is associated with responsibility in agri-food complex, tourism-culture complex, innovation complex and the environment complex (Taliouris and Trihas, 2017; Taliouris, 2019).

Investment priorities 3a and 3c could also be significant for business activities that have already CSR (either implicitly or explicitly) in the core of their business operation, and link their competitiveness with services quality (Cretan Nutrition). This outcome is also relevant with the 1b investment priority that refers to environmental responsibility and innovation. At last, the investment priorities 6c and 6d were focused on the natural heritage protection and sustainability measures such as the protection of biodiversity (Natura). This is a topic that does not solely refer to state's responsibility but also local business community (especially SMEs), especially those operating in tourism and destination management activities. Investment priorities 4c and 4f were also important because aim to modernize the way energy and wastes are managed at regional level. This is an interesting topic from the circular economy perspective but also from the fact that Industrial Zones exist in many places with vulnerable ecosystems because of insularity (e.g. Crete) (RC, 2014). The latter is strongly associated with the vulnerability of the ecosystem in islands and the negative impact of tourism due to the absence of a circular economy framework or a sustainable waste management approach.

Conclusion

The political discourse about development, growth and sustainability is part of the Greek political agenda since 2015, due to the European roadmap towards SDGs 2030. CSR and responsible entrepreneurship formulate under special circumstances the sustainable business; a characteristic that is getting more popular in times of crisis not only for large but also for SMEs. The latter stakeholder is an essential business group for EU and member states such as Greece regarding CSR public policy formulation.

Therefore, an issue that must be addressed and deal with is terminology and SMEs familiarity with sustainability and responsible entrepreneurship issues in Greece. This is crucial for ESFs implementation and development programmes because the terminology is a fundamental reason for an applicant (in that case a business) eligibility. In fact, in many documents regarding the previous developing activities and periods of ESFs (2007-2013, 2014-2020), the term sustainable development was popular, whilst in Greek translation sometimes the terminology wasn't so concrete (e.g. sustainable, green, viable). In practice, this was not a problem due to the fact that all stakeholders and state too referred to sustainable development and its practical implications regarding entrepreneurship (e.g. green business, corporate social responsibility, responsible entrepreneurship).

Moreover, the policies for CSR and responsible entrepreneurship varies in terms of political tools, themes and types. It is considered an evolutionary field especially after SDGs 2030. Despite the popularity, the obstacles exist because there is no any blueprint approach in CSR policy making among member states. Different institutional traditions, pictures significant and noteworthy practises but not applicable for all member states. CSR policy models seem to be influenced by governance setting in social welfare, social capital, ecology and business activities (e.g. “Partnership” model: Nordic member states such as Denmark-Finland-Sweden including Netherlands, “Business in the Community” model: AngloSaxon member states such as United Kingdom and Ireland, “Sustainability and Citizenship” model: Rhineland Europe such as Germany, France, Belgium, Luxembourg, Austria, “Agora” model: Mediterranean region such as Italy, Spain, Portugal and Greece (Albareda et al., 2007; 2009).

Therefore, the analysis of best practises and policy tools for CSR and responsible entrepreneurship must be carefully analysed especially if they are incorporated in ESFs future programme period and associated with National Strategic Reference Frameworks or other initiatives at regional level in Greece.

In conclusion, the CSR and responsible entrepreneurship practices are in transition mode in Greece from implicit to explicit, not only for state and public policy making but also for business sector, including SMEs. Hence, existing experience as well as CSR policy orientation in EU (SDGs 2030 road map) and in Greece (National Strategy for CSR in 2017 and for SDGs in 2018) are remarkable steps. These steps must be taken into consideration in ESFs period 2014-2020 in Greece, due to the fact that some of the development axis focuses on responsible entrepreneurship in an implicit way. Consequently, the new programming period for ESFs in EU and Greece must take into consideration the CSR trends as well as the steps above in order transition from implicit to explicit CSR and responsible entrepreneurship to be linked with SDGs 2030 and SMEs experience and practice. The knowledge sharing in policy making at regional level via Interreg’s as well as best practices dissemination (e.g. public procurements) are some of the most important outcomes of the previous ESFs periods that must be analyzed in order to increase awareness in CSR public policy fields, policy tools and responsible entrepreneurship models from other European regions.

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PART D

POLICY AND IMPACT

GREECE AND THE EU STRUCTURAL FUNDS (1981-2018): THE RISE OF COMMERCIAL CONSULTANTS

Nikos Zaharis, and Asteris Huliaras

Introduction

A number of studies have analyzed the presence, activities and influence of commercial consultants in Brussels, where they have established themselves "as accepted European players operating on several levels of action, working for a broader range of sectoral and national clients and maintaining strong working relations with other European actors" (Lahusen, 2003). However, there is very little research on the involvement of commercial consultants on EU projects at the member-state level.

This paper focuses on Greece. It argues that the weaknesses of the Greek public administration left much space for commercial consultants who have started making their presence felt during the late 1980s and have grown in the last decades to be a regular feature of outsourced public administration tasks that would normally have been performed by internal administration resources. A report by the Athens-based think-tank Dianeosis claimed that more than 2,600 big and small consultancies are active in the country, providing services to public bodies (ministries, government agencies, regional and local authorities) writing proposals, monitoring, evaluating and even implementing EU-funded projects as well as to private companies – usually preparing applications for subsidies (Dianeosis, 2016).

Some of the consultancies are staffed by well-educated young people with postgraduate degrees while others are owned by former "insiders" (former politicians, government advisors, high-ranking public servants etc.)

that are familiar with EU jargon and can find their way through rambling administrative procedures. A few "national" consultancies have grown to become truly international with offices in foreign capitals, global networks and projects worth millions of Euros. However the majority are mostly involved in preparing small-scale grant applications. All of them, combined with the staff serving at public or semi-public intermediary agencies, have created a new type of professional, the "EU affairs professional" that, in some cases, embarked on other careers beyond the Greek borders (e.g. EU-level consultancies, Eurocracy, international organizations etc.). A crucial question is if the multiplication of these companies in the last decades has widened their role. In short: do they continue to operate as simply intermediate actors or they have become influential in policy-making, affecting the developmental priorities of public actors and the strategic priorities of private companies?

A Brief History of the Sector in Greece

The sector's trajectory parallels the course of the country's EU membership and especially the implementation of the various EU Structural Funds Multi-Annual Financial Frameworks. It can be divided into five phases: a) Infancy / pre-history, b) First steps, c) Maturity, d) Peak of strength and e) Stagnation/ decline. An important factor affecting these phases is the evolvement of EU regulations. In the words of an interviewee:

"The consultancy services to national and regional/local authorities were developed in response to the requirements of the EC/ Structural Funds (for example the Water Quality Directive). As the Structural Funds requirements, with each National Strategic Reference Framework (NSRF), became more and more demanding, the authorities would require more technical and more specialized knowledge from the consultants' market (...). These requirements introduced and developed the concepts of monitoring and evaluation of interventions which were completely unknown before Greece's entry into the European Community. Their implementation required the hiring of outside experts/ consultants" (Interview 3).

These phases are briefly narrated in the following paragraphs.

a) Infancy/ pre-history (before 1989): There is no significant management consultancy activity before 1989. The main non-multinational companies operating were some technical and engineering firms (e.g. LDK) that offered consultancy services as a supplement to their engineering services as well as public/ semi-public "technical studies" companies (e.g. METEK SA owned by one of the top publicly-owned Banks of the time) which were involved offering services to the public sector (ministries and regional actors). Important developments of this period are the establishment of the Regional Authorities in Greece (Law 1622/1986) and the implementation of the first (limited in scope and value) Structural Funds programs, the Mediterranean Integrated Programs (1986-1989). Some of the leaders of the sector (i.e. Planet 1987, Remaco 1987, Planning 1989) were established in or a couple of years before 1989.

b) First steps (1989-1993): The major development in this period was the implementation of the 1st Community Support Framework (CSF 1989-1993, aka the 1st Delors' package). Ministries and local government (Regional Authorities/ Municipalities) started to procure services from consultants, although these were still not very specific, as the implementation framework was still underdeveloped. Commercial consultants also started to offer services to industry, mainly on two topics: investment grants and Quality Systems (ISO 9000). The rest of the future market leaders were formed in this period (i.e. Euroconsultants, 1990; European Profiles, 1991; KANTOR, 1993). A lot of them were being developed from earlier "technical studies" companies, which probably explains the fact that their managers were people with engineering background.

c) Maturity (1994-1999): During the 2nd Community Support Framework (CSF, 1994-1999, aka the 2ndDelors' package) all major players had contracts with Ministries and the 13 Regions to work as "Technical Advisors" and "Program Evaluators" on specific national or regional Operational Programs.[61] These contracts allowed the public sector to subcontract a lot of the work for programing and monitoring the CSF. Thus they provided consultancies with solid experience that they would subsequently use to penetrate foreign markets – mostly in the Balkans and the rest of the ex-Soviet Bloc countries. Some firms were awarded their first contracts abroad during this period (almost always with EU money). Some firms established subsidiaries or were affiliated with companies that offered complementary services to management consultancies (i.e. IT services, vo-

61. The roles of "Technical advisor" and "Program evaluator" could not be held by the same firm for one Operational Program (OP), but it was often that a firm was "Technical advisor" in one OP and "Program Evaluator" in another. "Technical advisors" in many cases supplied the "rank and file" of the everyday implementation of an OP.

cational training). A major development of the period is the establishment of the public "Management Organization Unit of Development Programs" (MOD) which will in the coming years and till today supplies the authorities assigned with the operation of the Structural Funds Programs with professional personnel. Since then MOD and consulting firms operated as an "exchange conduit" for both staff and knowledge.

d) Peak (2000-2009): During this decade the management consultancy profession reached its peak in terms of the number of firms, size of employment, value of services, breadth of services and internationalization. Major firms obtained up to 50% of their income from abroad (again mainly funded by EU money, but also services funded by other international organizations like the World Bank, OECD, various national donors like the USAID, GIZ e.t.c.).

They established subsidiaries in other countries (Eastern Europe but also Brussels). In this period, the value of services offered to the private sector was rather small compared to the wider public sector. SMEs tended to work with small consultancies, i.e. firms that employed no more than 2-3 persons. Some of the services (i.e. ISO 9000) were commoditized. On the other hand, big private sector companies that could offer relatively big consultancy contracts (i.e. banks, telecoms) worked directly with Multinationals and only with a few of the local industry leaders. Major developments of this period are: i) the establishment of the "OP Information Society" and its manager the Information Society SA, that procured a significant number of consultancy contracts, ii) the participation of commercial banks in the equity of most of the major Greek consultancies iii) the Stock Market IPO of a small number of them (e.g. KANTOR, Euroconsultants) and iv) banks took over the implementation of a large part of Structural Funds directed to SMEs; as a result consulting firms were able to offer their services to both Banks and SMEs.

e) Stagnation/decline (2009- today): The last period starts with the onset of the financial crisis in Greece in 2009. As the result of the crisis, the private sector cut back on investments and the public sector procurement was disrupted and became unpredictable (due also to political instability). Public contracts were late to be procured, enforced and (most importantly) paid, with delays sometimes measured in years. Some firms were forced to shut down their subsidiaries abroad. All firms were significantly downsized. Multinationals got a bigger share of the business. Some firms had trouble paying up their loans and were threatened by bank takeovers.

Banks who suffered a lot by un-performing loans, moved on to disinvest in many sectors, including the consulting firms. Major developments of this period were: i) the end of the "Technical Advisor" contracts for the support of the implementation of Structural Funds Operational Programs; services were still being sought but on a more ad hoc basis, ii) the imposition of "conditionalities" on the implementation of the Structural Funds since 2014; some of them i.e. the Smart Specialization Strategy and the Digital Strategy, demanded new specialized services, iii) the emergence of a need for restructuring indebted companies (the clients maybe the companies themselves, other big companies or the four "systemic" banks) where specific expertise was in demand and could be the next big challenge/opportunity for management consultant firms.

Size and Stratification of the Sector

Data for the sector is mainly provided by the Hellenic Association of Management Consulting Firms (SESMA), a non-profit association founded in 1991 by 23 leading consultancies in Greece. Today it has 48 members, including the largest Greek consultancy firms and the subsidiaries of international consultancies that operate in Greece. SESMA claims that its members represent more than 70% of the total turnover of the consulting market in Greece – but this is probably an overstatement. It argues that it collects data from around 170 firms (of whom around ¼ are large and medium).

SESMA is member of FEACO, the European Federation of Management Consultancies Associations. FEACO publishes annual surveys of the European MC market based on its member reports. The next paragraphs present some conclusions from different reports ranging from 1999 to 2017.

The reports clearly demonstrate the impressive growth of the sector in the last twenty years. The 1999 survey claims that in Greece MCs employed 500 professionals plus 190 supporting staff. In 2006 the number has tripled to 1730 people (of whom 1435 professionals). By the same year the total turnover of the sector has reached 181 million euros. An impressive year was 2003 (just before the Olympic Games) when the Greek MCs recorded the highest growth rate in Europe: an impressive 15% offering work to 1800 people. By 2017, Greek MCs had a 218.4 mn turnover (forecast) offering employment to around 2010 people (90% of whom were professional consultants). Indeed these figures tend to grossly underestimate both the number of staff and – to a lesser extent- the turnover of the sector since they do not include the hundreds of small consultancies that mainly provide services at the local or regional level.

As we have seen, the economic crisis significantly affected the growth of the sector in Greece. In 2009 and 2010 the turnover of the sector contracted by 9.2% and 11.2% respectively following the contraction of the Greek GDP. Since then however, the turnover has recorded positive growth. This growth is clearly related to the EU structural funds (programming period 2014-2021).

Nevertheless, as it is clear from Table 1, in 2013-7 the turnover growth rates of Greek MCs were much lower than the European average. The same trend is evident in employment growth (Table 2). However, given that in the same period Greece's GDP has contracted by almost 20%, major Greek MCs exhibited a strong resilience.

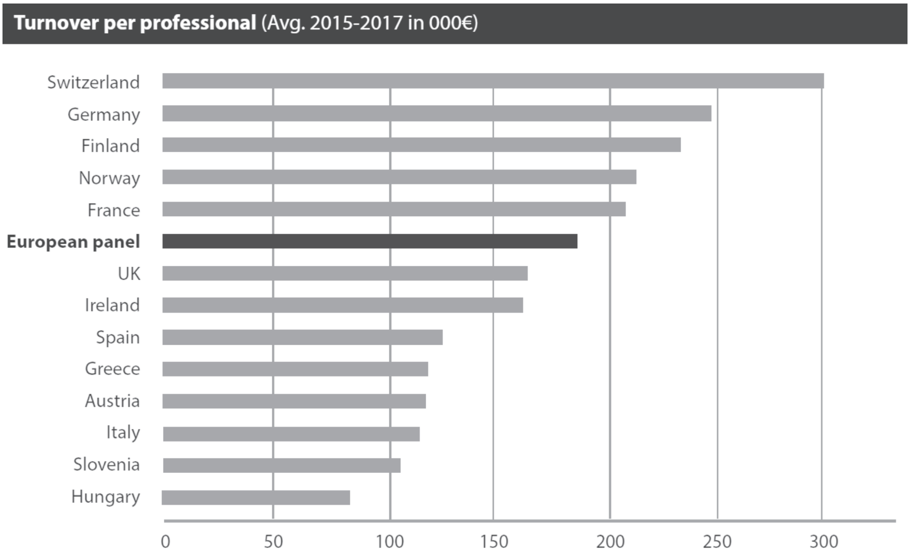
Table 1 *MC turnover trend by country (2013-2017)*

TABLE 1: MC turnover trend by country (2013-2017)

Country	2013	2014	2015	2016	2017 (expected)	Yearly CAGR (2013-17)
Austria	9.0%	6.6%	6.7%	8.0%	6.3%	7.3%
Finland	4.0%	5.0%	5.0%	4.3%	4.0%	4.5%
France	0.8%	2.9%	6.3%	8.5%	11.5%	6.0%
Germany	6.3%	6.3%	7.1%	7.4%	8.3%	7.1%
Greece	2.8%	3.1%	2.9%	0.0%	3.0%	2.4%
Hungary**	N/A	N/A	8.4%	13.0%	8.0%	9.8%
Ireland	5.7%	4.9%	11.0%	11.1%	9.0%	8.3%
Italy	-0.3%	5.7%	6.9%	8.0%	6.0%	5.2%
Norway	3.3%	20.9%	1.7%	4.6%	5.0%	6.9%
Slovenia	-2.3%	-1.1%	2.1%	4.7%	4.5%	1.5%
Spain	3.7%	-2.3%	2.0%	11.9%	10.0%	4.9%
Switzerland	0.0%	11.4%	14.1%	9.0%	5.7%	7.9%
UK***	8.0%	8.4%	8.1%	4.8%	N/A	7.3%
European panel*	**4.1%**	**5.9%**	**6.8%**	**7.5%**	**7.6%**	**6.4%**

Source: Our elaborations on MC turnover - FEACO survey 2012-2017.
** European panel includes the 13 European countries of the FEACO survey (excluding Hungary in 2013-14 and UK in the 2017 forecast). These 13 countries represent 86% of the European GDP. The trends referring to Switzerland and the UK are calculated in the local currency so as to avoid distortion due to the exchange rate.*
*** Hungary CAGR data refer to the 2015-2017 period as earlier data are not available.*
**** UK CAGR data refer to the 2013-2016 period as MC 2017 data are not available.*

Table 2 *The turnover per professional is not far from the European average.*



A very interesting finding is that services provided to the Public Administration by Greek MCs is the highest among all FEACO members (36% of annual turnover with a European average of 14.1%). If we take into account the fact that in Greece a lot of the other services (i.e. energy and utilities and even financial services are offered to public, semi – pubic or closely related to the public sector entities) this percentage is even higher.

The Greek management consultancies can be classified as follows:

1. The Greek subsidiaries of the four big international MCs (KPMG, PWC, EY and Deloitte). Although globally the big four still earn nearly twice as much from consulting and other services as they do from auditing, the Greek subsidiaries (with the possible exception of Deloitte) have tended to focus more on auditing. By the early 2000s the Greek subsidiaries of PWC and EY abandoned completely consultancy services (EY sold it to the Greek company Planet) while KPMG and Deloitte continued to be involved - though devoting less and less importance (To Vima, 2003). This largely reflected 'conflict of interest' legislation that affected company strategies about providing both an audit and certain consulting services to the same client (Economist, 2018).

2. The large "national" MCs that are members of SESMA, especially Kantor, Planet and Euroconsultants (around 50 in total). A few of these are

Table 17 *MC turnover by major client industries (2016)*

TABLE 17: MC turnover by major client industries (2016)

Country	Consumer & Ind. products	Financial Services	Energy & Utilities	Telecoms & Media	Other services	Public Admin.
Austria	37.7%	4.8%	3.6%	2.3%	42.5%	9.1%
Finland	21.0%	16.0%	13.0%	15.0%	25.0%	10.0%
France	26.0%	32.0%	9.0%	4.0%	19.0%	10.0%
Germany	34.0%	24.2%	7.6%	7.7%	17.4%	9.1%
Greece	26.0%	8.0%	4.0%	9.0%	17.0%	36.0%
Hungary	11.0%	20.0%	18.0%	26.0%	8.0%	17.0%
Ireland	22.0%	19.0%	10.0%	11.0%	10.0%	28.0%
Italy	35.2%	26.0%	6.1%	7.9%	15.0%	9.8%
Norway	18.0%	22.0%	12.0%	5.0%	16.0%	27.0%
Slovenia	38.0%	19.0%	15.0%	7.0%	9.0%	12.0%
Spain	11.0%	30.0%	11.0%	13.0%	20.0%	15.0%
Switzerland	24.0%	35.0%	7.0%	3.0%	24.0%	7.0%
UK	16.0%	29.0%	8.0%	8.0%	14.0%	25.0%
European Panel *	**25.8%**	**26.6%**	**8.2%**	**7.5%**	**17.8%**	**14.1%**

Source: Our elaborations on MC turnover - FEACO survey 2016-2017.
** European panel includes the 13 European countries of the FEACO survey. These 13 countries represent 86% of European GDP.*

subsidiaries of multinationals that enjoy however a large autonomy from headquarters (like McKinsey, BCG, AT Kearney). An important aspect of this group of companies is their gradual "internationalization".

"Overall the relation helped the consulting firms to develop knowledge and to be more extrovert, working and providing services beyond Greece. With time it allowed consultants to compete at the European level based not exclusively on low prices" (Interview 2)

"The experience of the consultants working for the national and local public sector has helped them develop know how that enabled them to work outside of Greece and especially in countries that were/are in the pre-accession status" (Interview 3).

"The knowledge that the consulting firms acquired made them in time quite capable to be able to claim contracts outside of Greece. They were especially adept to work with new MS countries or countries that were in the process of applying for EU membership" (Interview 1).

"A Greek Region was selected for a case study by an EC service. They needed the help of consultants to complete the case study. The quality of the work led to the consultants being hired by the said EC service to work in other EU countries" (Interview 2).

However, this internationalization trend had limits. Gradually, East European and Balkan countries developed their own consultancies. As one Greek consultant told the authors:

"We used to contact Turkish and Kazakh firms as partners in our projects. Now they are much bigger than us! We hope to contact us to take part in their projects" (Interview 4).

Today, around 16% of Greek MCs turnover is made outside the domestic market (with 2/3 outside EU). This is slightly higher than the Europe average. This has happened gradually and largely reflected opportunities in the Balkans, Eastern Europe and the Middle East where the Greek business community had traditionally a stronger presence. Firms like Euroconsultants and KANTOR opened offices in Brussels and other countries and their international turnover increased spectacularly. By mid-2000s Greek MCs like Planet, LDK and Trademco had won several EU bids in these regions. By that time, by far the largest amounts of their international turnover was directly related to EU funding (To Vima, 2006).

Table 19 *MC Turnover Domestic vs. Export (2016)*

TABLE 19: MC Turnover Domestic vs. Export (2016)

Country	Domestic market	Export within EU	Export outside EU
Austria	79.3%	17.6%	3.1%
Finland	50.0%	17.0%	33.0%
France	84.0%	11.0%	5.0%
Greece	84.0%	6.0%	10.0%
Hungary	80.0%	4.0%	16.0%
Ireland	90.0%	8.0%	2.0%
Italy	90.1%	N/A	N/A
Slovenia	69.0%	20.0%	11.0%
Spain	73.4%	N/A	N/A
Switzerland	87.5%	10.0%	2.5%
UK	75.0%	12.0%	13.0%
2016 European panel *	**80.8%**	**10.7%**	**8.5%**
2015 European panel **	**84.0%**	**9.2%**	**6.8%**

Source: Our elaborations on MC turnover - FEACO survey 2006-2015.
** 2016 European panel includes only 11 European countries of the FEACO survey, excluding Germany as export data are not available. These eleven countries represent 62% of European GDP.*
*** 2015 European panel includes only 10 European countries of the FEACO survey, specifically also Hungary was not included. Such difference in the perimeter taken into account does not affect the reliability of the comparison.*

3. The thousands small - often individual - MCs that provide services to small businesses and local and regional authorities. These services are usually connected with writing funding proposals to the National Strategic Reference Network (ESPA- EU Structural and Investment Funds for Greece) for SMEs or for local authorities. It is extremely difficult to estimate the importance of small consulting firms in Greece. There are no exact data because neither they belong to professional associations nor they appear in official statistics. However, we argue that despite their small size and limited turnover, they play an important role in the ways EU structural funds are used by local and regional authorities in Greece. Their reliance on ESPA and the technical requirements related to EU funding suggests that their consulting practices are quite standardized. Very few of them succeeded or event tried to play a more strategic role as strategic advisors to their clients, either to SMEs of to local policy-makers.

Discussion

In general the Greek consulting market is characterized by low concentration. Foreign firms have never been predominant in terms of numbers and many hundreds of small - often individual - firms dominated the market, perhaps not in terms of turnover but certainly in terms of number of projects.

It is crucial to examine first the interaction of Small Consulting Firms and their clients. Much of their success is related to the characteristics of the Greek context that seems very similar to other South European countries – especially Italy. One of the main reasons is the basic information asymmetries between them and their clients, partly due to language barriers related the very technical consulting terminology that is almost incomprehensible to many clients (Kieser, 2001). Personal relationships are also very important in building trust and facilitate cooperation.

To quote the apt comments of Crucini and Kipping (2001:575) by just replacing “Italy” with “Greece”:

“Some of the main reasons behind the long-run success of Small Consulting Firms [in Greece] appear to derive from their particular kind of competitive advantages in the specific [Greek] context. Among these the most significant seem to be their high level of flexibility (on duration, methodology and price of consulting interventions), their proximity to clients (knowledge of local specificity, easily reachable, possibility of building a local reputation), and high level of trust (deriving from repeated personal interaction with clients".

This structure is not unusual as the majority of management consultancies in many countries are small to medium-sized, locally or regionally-based service providers (Crucini and Kipping, 2001:571).These characteristics (small size and localized activity) as well as the specific characteristics and fragmentation of the Greek market (both in the private and the public sectors) are the reasons behind the failure of the small Greek MCs to bring their services to a level above the support of grant applications and low-level implementation of EU-funded projects. As they were drawing their advantages from their personalized networks and relations with local politicians they did not have the necessary capacity and "distance" that would allow them to offer advice at the national level and influence strategic decisions.

However, as a high-level regional government official with a previously long career in a major consultancy firm told the authors:

"The local/regional authorities developed a very close relationship with consulting firms. Their role was mainly supportive/ technical, but in time some of them went on to offer strategy development for their local/ regional authorities- clients. Still the "strategy development" was mostly a response to the requirements imposed by the EC. It was not something general and systematic i.e. not related to specific requirements of the CSF/ NSRFs (Interview 1).

The close relationship between local/regional authorities and small- and medium-sized MCs was beneficial for the implementation of EU projects:

"The consultancies helped the local/ regional authorities to implement projects beyond the CSF/NSRF (programs like LIFE, R&D Framework Programs, Interregional cooperation e.t.c.). It is quite probable that without the active involvement of consultants, the local/regional authorities would not have implemented anything more than the infrastructure projects that they had prior knowledge to handle (i.e. building roads, schools e.t.c.)" (Interview 1).

MCs have also contributed to the raising of the level of capacity of local and regional authorities, but their impact was limited:

"A small number of public servants that worked for CSF/NSRFs in the government or at a local level, developed themselves through this work and the relationship with consultants helped them to acquire know-how which now can be considered in-house" (Interview 1).

However, the capacity-building needs to widen:

"(...) as the [EU regulations] became more and more demanding, the gap between the authorities' capacity and the requirements became even bigger. This is leading to a demand for even more outsourcing. An example of an over-optimistic approach towards the in-house capacity of the national authorities was given in the period 2015-2017. The authorities tried to rely solely on their in-house services, and this had profound consequences that led to big delays in the current NSRF. This approach was slowly reversed after 2018" (Interview 3).

And especially at the local level the provided managerial services remained of dubious quality:

"The involvement of consultants contributed to raising the level of capacity of the public authorities and had a positive impact on CSF/NSRF and other Programs' absorbability but not always on the Programs' quality" (Interview 1).

This largely reflected the fact that contract-design and contract-management of consultancy services by the public authorities remained weak. Usually it was the lowest bidder that won a consultancy contract as experience was largely measured by simple quantitative requirements (years of experience) (Interview 4). At the local or regional level, terms like "performance contracting" remained virtually unknown. Corruption made matters worse (an experienced consultant told the authors that a "standard price" to win a contract was a 10% 'gift' to a local leader – mayor, regional governor, members of planning committees etc. (Interiew 5).

MCs claimed that they have played a crucial role in the dissemination and transmission of new management knowledge and practices to the local context:

"We can say that both consultancies and public sector profited from the relationship: Consultants were able to upgrade their knowledge and use it also outside of Greece and the public sector gained experience through positive knowledge transfer and was able to do things that could not do without outside help" (Interview 1)

Although there is some truth in these claims, the real picture is far more complex. Local and regional authorities in Greece as well as several state agencies relied to a large extent to MCs. According to our interviewees every Mayor or Regional Governor in Greece had his/her own trusted private management consultant. This largely reflected the lack of management and technical capacities of the Greek public administration and its inability to cope with the complex procedures of EC/EU funding. Local authorities hired MCs (usually small ones) and asked them to frame strategies, prepare applications and implement, monitor and evaluate projects. Usually these consultancies had an ad-hoc working relation with the client that covered the full 7-year programming period (and a lot of times much beyond that). They used to accompany local and regional governors in every single meeting with ministers, central government officials or Eurocrats. They have played a crucial role in forming EU-wide partnerships, in preparing proposals and bids and in helping in the daily management of projects. All of them expected a new contract, a continuation of their working relations for the next 7-year period, so at the very end did not have any real incentives to help local or regional authorities to develop their own capacity.

Some local authorities (especially the big ones like Athens Municipality) tried to solve the problem of lack of institutional capacity by creating Task Forces or Developmental Agencies to cope with the complex ESPA bureaucracy. These initiatives were largely beneficial, but their success was far from universal. Lack of resources (especially in smaller cities), bureaucratic inertia and turf wars between different departments and agencies were quite often important barriers. Our interviewees noted that much depended on the personalities, managerial style and experience of local leaders (Mayors, Regional Governors e.t.c.).

In the case of larger MCs, there is some evidence that they have influenced strategic decisions in policy-making. According to an experienced manager:

"The relationship between the public authorities and consultants is a very close one and it is bidirectional: consultants usually have an external impetus and they 'offer' a project idea to the authorities. It can also work in the opposite way: the authorities lack the necessary know how and capacity ask consultants to cover this gap. Example is the S3 strategy that was an externally imposed conditionality and required the involvement of consultants at the national and the regional levels" (Interview 2).

The same interviewee notes a 'learning curve' in national authorities:

"In time the public authorities learn to do certain things with in-house human resources and then require more specialized outside services and knowledge" (Interview 2).

Gradually public authorities started to require more specialized knowledge. This in turn led to the emergence of more specialized consultancies and raised consultancy fees.

Conclusions

As the Greek economy stabilizes, the prospects of the MC sector look positive. The latest FEACO report expects improvement based on the "implementation of funded programmes" (EU Structural Funds), the increasing need for financial and operational restructuring of companies that need to conform to the legislation for business loans (i.e. non-performing loans), as well as the request for strategic planning' (FEACO 2017: 38).

Coming back to our initial research question (if these companies have become influential in policy-making), our research shows that small firms have become sometimes influential in affecting even the developmental strategies and priorities of local and regional authorities. Public administration capacity at this level has remained limited and, by exploiting personal relationships and despite their size, these small firms became important players in the management but also implementation of EU Structural Fund projects in Greece. Thus, to a certain extent, EU money has in a sense "privatized" local and regional governance. This development has important political repercussions related to the ways resources are distributed and democracy is exercised at the local and regional level.

At the national level, it can also be argued that MCs have become influential affecting not only project monitoring and evaluation but also, in some cases, strategic decisions. Though it is difficult to refer to specific cases of policy influence, we were able through our interviews to document a strong lobbying activity by MCs.

Greece is one of a minority of EU members that have no legislation, code of conduct or register of lobbyists (European Parliament Research Service, 2016). Since there is no specific obligation for the registration of lobbyists there is no official reporting of contacts between public officials and lobbyists. Moreover, there are no specific and clear norms of how public servants should cope with subcontracting MCs. The only document, the Civil Service Code, sets out only very basic values and principles which civil servants should follow in performing their duties. However, all our interviewees confirmed that both big, medium and small consultancies spend significant time and resources in contacting politicians and civil servants.

At the level of private businesses, it can be argued that the influence is perhaps smaller. SMEs and bigger firms relied on MCs (usually the smaller ones; sometimes on the industry leaders as well) in order to pursue EU funding for their companies or to comply with perceived as absolutely necessary industry standards (i.e. ISO 9000). However, the MCs continue to exert minimal influence over strategically important issues including product development, marketing and access to finance.[62] The reasons behind this lag are: a) the fragmented and immature nature of the Greek market itself, characterized by short-term planning and low expectations, b) the lack of relevant experience on the part of the MCs who have not created the relevant knowledge-base and expertise and c) the competition from the public sector that offers less risky and more lucrative opportunities to MCs.

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Interviews

Interview 1: "X" is a 50 years old female. Currently in Academia, she started her career in one of the major Greek consultancies and then spend

62. It is characteristic that while almost everyone uses an MC to apply for an investment grant, very few use an MC to advise them on their finance strategy or to apply for a Bank loan.

around 10 years as a high-level regional government official. She was asked to answer the questions based on her experience as a regional government official.

Interview 2: "Y" is a 53 years old male. He has 24 years of experience as a consultant working for a major consultancy in the beginning and later as a founder/owner of a small high specialized consultancy firm.

Interview 3: "W" is a 57 years old male. He has 30 years of consulting experience, most of it as a CEO of a small/medium consultancy firm.

Interview 4: "Z" is a 45 years old male. Now in academia he has 20 years of consulting experience, mostly working with regional and local authorities. He was also involved in government planning (EU Task Force).

COHERENCE OF ADULT LEARNING POLICIES IN DIFFERENT LEVELS AND TYPES

Zoe Karanikola, and Georgios Panagiotopoulos

Adult Education According to the International Discourse

Adult education is an integral part of lifelong learning and covers every formal, non-formal or informal learning activity. In addition it interacts with early childhood, primary, secondary, vocational education and tertiary education (European Commission, 2015:2), whereas it equips people with the right skills in order to learn and exercise their rights, promotes personal and professional development, supports active participation in society, community, and environment, and contributes to sustainable and inclusive economic growth (Panagiotopoulos and Karanikola, 2018a). The importance of adult learning derives from a wide range of factors including changes in the structure of occupations, changing ways of work, the need to reduce unemployment, ageing societies, the intense pace of economic, technological, demographic and cultural changes, diverse and complex societies with stronger need for intercultural understanding and democratic values, increased levels of migration requiring support both for individual and societal learning (European Commission, 2015; GRALE I 2009).

The vital role of adult education in the development of society has long been recognized, whereas according to the Hamburg Declaration (Alfred and Nafukho, 2010), it is linked to promoting equality, democracy, active citizenship, cultural diversity.

Particularly, in 1949, UNESCO members states dedicated themselves to ensuring that adults are able to exercise the fundamental right to education. In addition, in 1976, the UNESCO General Conference approved the Nairobi

Recommendation on the Development of Adult Education, according to which "adult education is considered to be an integral part of the educational system within a lifelong learning perspective" (GRALE I, 2009:12).

Besides, the Dakar Forum in 2000 reiterates the need to improve the status of adults who need to enjoy the respect of the state by participating in decisions that affect their life and job development. At the same time, appropriate strategies for attracting and staying in the educational context of people with increased formal qualifications are being sought (Tsaoussis, 2007).

According to the European Resolution of 16 January 2008 regarding adult learning, it is never too late to learn, whereas Member states are called to promote the acquisition of knowledge and implement gender equal policies designed to make adult education more accessible, attractive and effective.

The Council conclusions of May 2010 relates adult education to active inclusion and social participation, whereas the Council Decision of October 2010 seeks to promote effective incentives for lifelong learning, while in 2011, the European Council adopted the renewed European Agenda for Adult Learning with key objectives the following elements: more opportunities for access to high level learning opportunities, student autonomy, effective guidance and evaluation systems, in-company learning, involvement of many agents and players (European Commission, 2015).

The priority areas for the period 2012-2014 are, among others, making lifelong learning and mobility a reality, improving the quality and efficiency of education and training, promoting equity, social cohesion and active citizenship through adult learning, enhancing the creativity and innovation of adults and their environments, improving the knowledge base on adult learning and monitoring the adult learning sector.

Finally, the New Skills Agenda "Working together to strengthen human capital, employability and competitiveness" (European Commission, 2016), supports a shared commitment towards the strategic importance of skills for sustaining jobs, growth, and competitiveness, whereas it is centered around improving the quality and relevance of skills formation, making skills and qualifications more visible and comparable, improving skills intelligence and information for better choices.

Coherence and Coherence Policies

Support for adult learning has become a key focus of policy since the mid-1990s in EU Member States, whereas more and more policy fields rely on adult learning in order to achieve their targets regarding efficiency and effectiveness. In such a context, the successful implementation of adult learning across these different policy fields has increased the need for coordination. Coordination is a necessity, because if policies are steered in different policy domains and different objectives there is a risk that they may not reinforce each other or even that they may undermine each other's impact (European Commission, 2015:38).

Coherence is a term used to describe the efforts made by different agents, actors and organizations in order to "identify effective responses to a particular crisis context and ways to work better together" (OECD, 2017:2). Development of coherence requires a shared context, a collective outcome, defined resources, adequate political leadership, strong partnerships and important incentives to overcome existing obstacles.

Since the early 1990s, the OECD (2015a) has played a vital role in the promotion of policy coherence, through its ability to provide evidence to inform policy making and address cross- sectoral issues. Policy coherence refers to the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives, whereas there are two basic dimensions, the vertical and the horizontal coherence. Particularly, vertical coherence requires that the national, regional and local levels of government support common policy objectives and systems of funding and evaluation, whereas horizontal coherence means that there is significant coordination within national, regional or local government (Mallows and Carpentieri, 2015).

Regarding adult education policies, many studies have demonstrated that they do not work in isolation but are "anchored in many different policy fields, making important contributions to many other policies. Responsibility for adult learning policy is divided across several ministries and agencies and several levels. This shared responsibility often results in a situation where adult learning policy is fragmented and its efficiency suffers from insufficient coordination (European Commission, 2015:40).

Research Aim and Material

This present study, through the qualitative analysis of the text "Education and Training 2020. Improving Policy and Provision for Adult Learning in Europe (European Commission, 2015)" comes to explore the way coherence can be achieved.

The Education and Training 2020 Working Group on adult learning was established in 2013 as one of six thematic working groups that support Member States in policy development on addressing basic skills, promoting the use of new technologies and Open Educational Resources, and enhancing the effectiveness, efficiency and coherence of adult learning policies. This report presents the Group's findings and recommendations.

The research material was examined through the thematic analysis tool with the use of thematic networks. Thematic analysis is an inductive analytical process and it is based on the principles of the argumentation theory of Toulmin (Attride-Stirling, 2001). This method provides a methodical and systematic analysis of the material under investigation, facilitates the organization of analysis and allows a profound and rich exploration of the superficial and deeper structures of the text (Gibbs, 2007; Braun and Clarke, 2006). Boyatzis (1998) states that the thematic analysis is a process of coding quality information. In addition, it provides a rich, detailed and complex report of the data, while interpreting various aspects of the themes (Braun and Clarke, 2006).

Three classes of topics are included: basic theme, organizing, and global. The basic one is about the simplest features of text data, and by itself it gives little information about the text as a whole. In order to gain a deeper understanding of the content of the text, we must read it in relation to the other key issues and together they form the second class of subjects, the organizing theme. The organizational theme is a middle class theme, which organizes the core issues in groups of similar topics. Its role is also to increase the meaning and importance of a wider subject, which unites several organizational issues. This creates the third issue, the Global Theme. The overall theme is a superordinate theme and includes the basic idea of the text as a whole (Attride-Stirling, 2001).

In the present study the global theme is coherence. The organizing themes are coherence across policy fields, coherence across national, regional and local levels of policy making, coherence across types of policies and coherence over time.

Presentation of the Thematic Networks

Regarding the first thematic network, policies are complementary and interfere with each other, meaning that one policy may enhance or even undermine the effectiveness and efficiency of another. Policy fields supporting adult learning differ in their logic and rationale as well as the timing of their policy cycles. To achieve coherence across policy fields, policymakers and stakeholders need to know what is going on in other fields and the rationale for the different initiatives. Collaboration and partnerships between, among others, Education, Employment, Welfare, Business, Justice and Health ministries, social partners and civil society promote the creation of a shared knowledge base and mutual understanding. Building on this shared knowledge, stakeholders can negotiate adjustments between policies and coordinate their policies, or develop new integrated policies, to enhance their potential and achieve common goals. This could in particular be of importance for simplifying access to services and making effective outreach to difficult-to-engage groups of adults (in particular vulnerable groups) which require a coherent approach (European Commission, 2015: 40).

There are mentioned two programs towards this direction, the program “Validation of skills in Belgium (French-speaking Community)” and the program “Language for Life (Netherlands)”. The first program was carried out in the region’s highly complex policy structure, with ministries in the three French-speaking community governments (Wallonia Brussels Federation, Wallonia and Brussels) and the regional governments all playing a role in policy development, implementation and funding. A consortium coordinates the accreditation of validation centers, establishes the methodology for assessing their skills and competence, issue certificates and ensures the overall management of the whole process of validation in the French-speaking part of Belgium.

The Consortium is composed of the stakeholders of training and second chance education and social partners and representatives of the ministries involved. Great efforts are made to ensure that the end users (i.e. adults having their skills validated) are presented with a simple, easily understandable interface. Another key principle informing the Program for Validation of Skills is that this program should seek to facilitate cross-organizational ownership by remaining small itself, but helping its partner organizations grow larger. A central aim is to avoid any one policy organization having a monopoly on the recognition and validation of skills; rather the effort should be shared across a range of stakeholders, with quality assured through a well regulated system of stakeholder certification. These efforts have met with success. However, a number of challenges, such as the need for more, and more reliable, evidence of impact continue to exist and to be addressed (European Commission, 2015: 40-41).

In the second program the government works closely with an NGO to design, implement and govern adult basic skills policy and programs. Within government, there are strong efforts to achieve political consensus and ownership across a range of ministries, and there is also a broader policy trend within the Netherlands of decentralization, resulting in larger policy roles for municipalities and a more facilitating role for central government. The need to provide training for an increasing number of people with low levels of literacy, coinciding with a decrease in public finance and increased decentralization, made a new approach necessary.

The Language for Life policy was launched in six regions in 2012, with a strong emphasis upon cross organizational partnership. The policy combines bottom-up and top-down approaches, with increased efforts to create more effective local infrastructures for adult basic skills education. National policymakers and their partners then use rigorous research methods to monitor and evaluate results, note effective practices, and feed this information back to the local level. Local Literacy Hubs are the most visible manifestation of the partnership based orientation of the policy: these are community-based centers based in libraries, hospitals and other public spaces, at which potential adult learners can find help desks volunteer tutors, and opportunities to receive guidance, and can also undergo literacy assessments.

These Literacy Hubs also contribute to the broader objective of ensuring that policy ambitions are concordant with policy resources. By making use of civic spaces, the Language for Life program makes efficient use of resources while maximizing opportunities for public outreach. All of these coherence-related factors have impacts on policy, with some impacts having both a positive and negative aspect. For example, in working with the Read Write Foundation, the Netherlands government benefits from that NGO's high level of understanding of basic skills issues, and its years of addressing the issue. However, such a partnership can create challenges for governments – for example, because the Read Write Foundation has a high level of expertise, it also demands a high level of autonomy with regard to policy implementation. Government needs to grant the NGO the status of an equal partner on a level playing field, with fully shared policy ownership. The NGO is not just a vehicle for implementation and/or advice. Throughout all these processes, there is a need for constant feedback loops, running both horizontally and vertically. Establishing and sustaining such loops is resource intensive, but does contribute to policy coherence. Such coherence, after all, must be worked at constantly if it is to be sustainable (European Commission, 2015:41).

Regarding the second thematic network, adult learning policies are implemented on different levels of policy making, and initiatives are often spearheaded locally before being rolled out across regions and taken up by policy makers at a national level. Actual implementation is carried out by a wide range of government, private sector and voluntary organizations. Mutual adjustment is a key requirement. Coherence is also fostered by the interaction between top-down and bottom-up policy processes. Key triggers for policy development may come from the field. Good practice then filters upward, influences policy, and is disseminated back downwards, where it can spread horizontally. Policymakers learn from the field, and then support the spread of good practices throughout that field. Policy is also influenced from the top down, and in some countries EU policy guidance as expressed in the renewed "Adult Learning Agenda" and "Opening up Education" is seen as having a powerful influence (European Commission, 2015: 42-43).

As far as the third network is concerned, there is a need to combine different policies to increase participation in and the quality of adult learning. The right mix of policies could enhance the effectiveness and efficiency of each single policy, but any incoherence in approach is likely to weaken the intended outcomes. Case studies of large scale reform programs (for example, the two large scale reforms of adult learning in Sweden in the 1990s and the early 2000s) give reason to believe that the right scale and combination of measures can make a lasting difference. However, there is a lack of systematic empirical evidence on how to combine policies in a coherent and thereby mutually reinforcing way.

In Norway a National Skills Policy Strategy is being developed as a follow-up to the OECD Skills Strategy project, to be implemented in 2016. It is being coordinated by Vox, the agency in charge of implementing adult learning policies, and will involve several ministries, local and regional authorities, social partners and other central skills actors in the framework of a strategic partnership. Norway's economy is to a large extent based on industries and sectors that require a highly skilled labor-force, a demand that will increase. In spite of a well-functioning economy, low unemployment rate and a relatively highly qualified workforce, present challenges include a high drop-out rate from upper secondary education, approximately 700.000 adults without upper secondary education, about 400.000 adults with inadequate basic skills and many adults on disability pension. There is also a worrying health-related exclusion from the labor market, especially among youth and people with low educational attainment.

The National Skills Policy Strategy shall improve achievement with respect to good access to skilled labor by good education, jobs and career choices for individuals and society as a whole, targeted and employer relevant learning and training in and for working life, and improved skills for disadvantaged low-skilled adults. Under each above mentioned main objectives of the Strategy, the different partners´ responsibilities, policies, measures and suggestions for new actions and enforced efforts, including new political initiatives, will be described and made clear. This includes the different actors' financial resources, monitoring and evaluation of actions. Key partners will develop an action plan within their own responsibility mandate specifying actions and how their respective measures and resources will be used to reach the Strategy's goals.

Finally, regarding the fourth thematic network (coherence over time), providing the time needed for adult learning policies to become effective is crucial. In many cases, not allowing adequate time for policies to take effect undermines their effectiveness and efficiency. Frequent changes undermine the coherence of systems and are likely to cause a loss of motivation among all parties involved. The "Great Recession", starting in 2008, interrupted ambitious policy programs in various European countries, leading governments to scale down available funding for adult learning, for example in Ireland or in Portugal Portugal's New Opportunities Initiative (NOI) 2005-2011 focused on several measures, with a special emphasis on recognizing and validating adults' skills. It did so against the backdrop of relatively low qualification levels in Portugal, with 72% of the labor force lacking secondary-level qualifications.

The Initiative sought to achieve these objectives through a large, comprehensive and coherent policy effort, involving a broad range of measures, stakeholders, high levels of vertical and horizontal integration, and world-leading efforts at public participation. These ambitious policy efforts built on former policies, including the creation of a national agency for adult education and training and approaches for recognizing and validating prior learning. The NOI, which ran from 2005 to 2011, therefore displayed an important level of chronological policy coherence. However, it expanded upon these earlier efforts greatly – for example, by seeking structural coherence through the creation of a national qualification system. The goals of NOI included helping one million adults to gain at least an upper secondary education qualification, out of a total national population of approximately 10 million. Over the seven-year life of the policy, these efforts led to the creation of 451 New Opportunities Centers throughout the country, and the participation of more than 1.4 million adults, with more than 770.000 of these embarked upon basic education levels and nearly 650.000 participating in secondary education-level pathways. By 2011, more than 450.000 Portuguese adults had achieved some type of certification recognizing prior learning, with more than 330.000 gaining a basic level certification and nearly 125.000 achieving a secondary certification.

These figures means that adults certified through recognition of priori learning processes represent more than 80% of the number of adults certified with the basic level or secondary level in this period of 7 years. Ultimately, however, the New Opportunities Initiative was abandoned. A number of factors contributed to its demise, most importantly political changes (governmental changes. Other factors included the extreme economic crisis faced by Portugal, high level of dependence on the European Social Fund and difficulties in realizing the policy's hoped-for labor market impacts which were particularly difficult to achieve during a period of rapidly rising unemployment. Since 2011, Portugal has continued its efforts to recognize and validate prior learning, albeit in a much scaled down manner (European Commission, 2015: 44-45).

Conclusions

According to the thematic analysis, the Education and Training 2020 Working Group on Adult Learning offers important guidance and information regarding the ways policies should become more effective. Adult education is a necessity, given that it benefits individuals, companies and societies. So member states should adopt sustainable long term strategies. In addition, adult learning policies need to be coherent. The coherence of the many different strands of policy need to be informed by evidence and proper monitoring, whereas clear leadership and government arrangements should be adopted. What is more, member states should develop intra-governmental cooperation by planning and implementing projects and processes in which ministries, regions, agencies and other stakeholders cooperate to enhance learning opportunities for particular adult target groups. These processes should also be flexible enough to respond to societal challenges. The need for initiatives for coordinating policy coherence is also supported by the OECD (2015b) and the UNESCO (2013).

However, it should not be overlooked that adult education is a multidimensional and complex policy field that interacts and contributes to other areas of political action. Therefore, there is often a lack of coordination and different approaches. This contributes to the fragmentation and inefficiency of adult education (Panagiotopoulos et al., 2018b).

Additionally, some questions arise regarding the transfer of policies into the field of application. How easy is it to achieve the objectives of international policies? In any case the best adult policies and programs are evidence-based. By investing more in long-term research on what works in a particular context, countries can make their policies more efficient and effective (European Commission, 2015).

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SOCIAL POLICIES AND INTERNAL MARKET IN THE EU PUBLIC PROCUREMENT

Evanthia Savvidi

Introduction and Terminology

The objective of the European procurement rules and policy is primarily the acquisition of goods, works or other services on the best possible commercial terms for the state. At the same time, the guiding principles of transparency and non discrimination, which apply to all public procurement procedure, strengthen the EU single market, as they are one of the integral components of the rules concerning free movement of goods and services, the right of establishment, the prohibition of discrimination on grounds of nationality and the free trade and competition. Stated differently, the EU public procurement rules are part of the legislative framework strengthening the free movement of goods and services inside the EU single market. The ***single market***, as the Treaty on the Functioning of EU (TFEU, 2016) states, "[…] *shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties*".

Policies that are not directly linked to the above goals, known in the past as ***secondary or collateral or horizontal policies*** are now commonly referred to using the international term ***sustainable public procurement***, which is inscribed in the ***sustainable development*** framework and implements, in the field of public procurement, the effort to achieve the appropriate balance between the three pillars of sustainable development, economic, social and environmental (Arrowsmith, 2018). The term has been defined by the United Nations Environment Programme (2008) as a process "*whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment*". Some examples of such environmental policies are the reduction of greenhouse gas emissions and air pollutants, improvement energy and water efficiency, reduction waste, support for reuse and recycling, use of renewable resources, reduction of hazardous waste and toxic and hazardous substances. Social considerations might include: gender and ethnic equity, poverty eradication and respect for core labour standards, reducing unemployment, providing employment opportunities for disabled persons, strengthening fair trade etc. (United Nations, 2008).

The UN claim that sustainable public procurement has emerged as a powerful way to stimulate more sustainable consumption and production patterns for society at large. A significant share of the world's GDP is associated with expenditures by governments. On average, total public expenditures by central and local governments (including consumption and investment expenditures) are estimated to account for about 20% of GDP in OECD countries. In addition, in some sectors, domestic government procurement tends to be the single most important source of sales (e.g. defence-, health- and research-related industries) or one of the most important (e.g. construction, energy, transport equipment). Governments, due to their importance as customers in some markets, can make a difference in environmental or social outcomes by electing, for example, environmentally friendly alternatives, to conventional options. Plus, governments can use their market power to influence producers to shift more rapidly to cleaner technologies. By lowering the costs of clean technologies due to scale economies, this can also help private consumers shift to environment-friendly products (United Nations, 2008).

Besides, according to TFEU (2012), "*The Union shall ensure consistency between its policies and activities, taking all of its objectives into account and in accordance with the principle of conferral of powers.*" This general principle of consistency clarifies that the EU legal framework is the result of a comprehensive reconciliation of different interests, rather than an expression of free trade and competition (Hettne, 2013). At the same time, other TFEU (2012a) provisions set obligations to the Union concerning aims such as eliminating inequalities, promoting equality between men and women, promoting a high level of employment, securing an adequate social protection, fighting against social exclusion, a high level of education, protecting the human health, combating discrimination based on sex, racial or ethnic origin, religion, belief, disability, age or sexual orientation, or the environmental protection requirements and the sustainable development. This clear and, since 2007, explicit provision (the consistency principle), resulting from the Lisbon Treaty, changed the EU internal market character, which since shall be based on very different –and sometimes contradicting- interests. This complex character of the internal market is clearly expressed in the provision of TFEU (2012b) which states that the Commission, in its proposals regarding new internal market legislation on health, safety, environmental protection and consumer protection shall take a high level of protection as a base, taking into account any new development based on scientific facts and that the European Parliament and the Council will also seek to achieve this objective.

Similarly, besides the above provisions of the Treaties, the Court of Justice of the European Union (CJEU), has reconciled the interests of free trade with other essential interests in its case-law for more than fifty years. Moreover, since the Union pursue a multitude of interests nowadays and not only those which are economic, the Members States wishing to promote certain environmental or social interests in public procurement will more often find support in existing EU legislation, since, under those circumstances, the Members States will not only promote their own national interests but also contribute to the realisation of the common objectives of the Union. This can be proven very useful when a Member State has to justify certain national actions in relation to EU law (Hettne, 2013).

The European legal framework on public procurement (EUR-Lex, 2014) deals with the above issues in a large number of provisions such as:

- the horizontal clause imposing a general obligation to Member States to take appropriate measures to ensure that in the performance of public contracts economic operators comply with applicable obligations in the fields of environmental, social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions,
- the obligation regarding technical specifications, for all procurement which is intended for use by natural persons, to be drawn up so as to take into account accessibility criteria for persons with disabilities or design for all users,

- the greater weight to labels, facilitating the use of social and eco labels in the technical specifications, the award criteria or the contract performance conditions,
- the possibility of excluding economic operators when they (or their subcontractors) violate social or environmental legislation,
- the obligation to reject abnormally low tenders when the economic operators (or their subcontractors) violate social and environmental obligations,
- the possibility of excluding economic operators for certain criminal convictions (participation in a criminal organisation, corruption, fraud terrorist offences or offences linked to terrorist activities, money laundering or terrorist financing, child labour and other forms of trafficking in human beings),
- the possibility for using life-cycle costing as an award criterion as well as other criteria relating to social or environmental characteristics,
- the extension of the scope of the possibility for reserving contracts for disadvantaged groups and social enterprises,
- the possibility of dividing contract into lots or the presumption on annual turnover limits to support SMEs.

The above mentioned rules illustrate the reason why the effort of promoting social, environmental or other horizontal policies, which are not only economic, through public procurement, may be a threat to the principle of free movement of goods and services, the right of establishment, the prohibition of discrimination on grounds of nationality and in the end to the internal market itself as well as to the free trade and competition. These obligations or possibilities reduce or may reduce, some of them more than the others, the number of persons, of economic operators who will have the right to participate in a public procurement procedure or who will have equal opportunities to win a public contract.

The dual Mission of EU Law

As noted earlier, EU law has two main missions concerning social, environmental and other horizontal policies in procurement: first the concern to guarantee free trade and competition and to eliminate discrimination among EU economic operators and secondly to pursuit and promote other horizontal policies. Due to this dual role, EU law on one hand places ***limits*** on the discretion of Member States to pursue such policies through public procurement and on the other sets ***obligations*** regarding the use of public procurement as a tool of promoting such policies (Arrowsmith, 2018:716-722).

A. Limits on Member States discretion

The main reason for imposing limits on the use of public procurement as a tool in the pursuit of social or environmental policies is their possible impact on limiting access to markets in a discriminatory manner (Curia, 2002). For example, this discretion may be used abusively by the Member State in order to favor national industry and oppose to internal market and the free movement principles.

However, this approach began to change both from Member States and the EU due to the need to confront new challenges such as the climate change. This was supported and influenced by the emphasis given to sustainable public procurement policy to achieve the UN sustainable development strategy (United Nations, 2008). All this political and legislative background appears to have influenced the interpretations of the CJEU. Though, even before these developments the court did not always support the strict approach to social and environmental policies advocated by the European Commission.[63] All these evolutions were clearly reflected in the review that led to the 2014 directives on public procurement[64] (implemented in the Greek legal system under the provisions of Law 4412/2016).

These limitations arise both under the TFEU – the free movement and the state aid rules- and the procurement directives. As noted above, free movement rules prohibit any national measure hindering free trade and free movement rules, unless justified under specific derogations or limitations. Therefore, for any national measure, taken for example by the contracting authority, which aims to implement social or environmental policies to public procurement, the main issue will be the extent to which policy in different areas is capable of justification when it restricts access to the market.

A typical case where such justification is not recognized by EU law is when national authorities use procurement as a tool of industrial devel-

63. More recently the court has been largely supportive of using procurement to promote such policies in the 2012 Dutch coffee case, Judgment of the Court (Third Chamber), 10 May 2012, European Commission v Kingdom of the Netherlands, ECLI:EU:C:2012:284.

64. See above in chapter 1 Introduction and terminology.

opment.[65] The court has also rejected the view that regional policy provides a ground for derogation from the free movement rules under TFEU.[66] However it has indicated that strategic purchasing to maintain national base in a vital industry is potentially permitted under the security derogations to those rules.[67]

Social policies implemented through the procurement process, as well as industrial policies, may also infringe the TFEU. The question of whether it is lawful for national legislation to apply to the performance of public contracts in the first place has been an issue in practice with provisions on "posted workers" (those imported by a provider from another Member State to fulfill the contract). Some contracting authorities obliged providers to observe national legislation (the one of the contracting authority's state) on working conditions and the court stated that such a requirement does not breach the Treaty.[68]

After that, the Posted Workers Directive (96/71/EC) regulated the above issue stipulating that Member States shall ensure that, whatever the law applicable to the employment relationship, the undertakings shall guarantee workers posted to their territory the terms and conditions of employment in the Member State where the work is carried out. These terms and conditions cover the following matters: maximum work periods and minimum rest periods, minimum paid annual holidays, the minimum rates of pay -including overtime rates, the conditions of hiring-out of workers, in particular the supply of workers by temporary employment undertakings, health, safety and hygiene at work, protective measures with regard to the terms and conditions of employment of pregnant women or women who have recently given birth, of children and of young people, equality of treatment between men and women and other provisions on non-discrimination.[69]

Nevertheless, the reverse case, that of taking measures that regulate activities carried out in another Member State or even a third country cannot

65. C-360/89 Judgment of the Court of 3 June 1992, Commission of the European Communities v Italian Republic, ECLI:EU:C:1992:235, C-113/89 Judgment of the Court (Sixth Chamber) of 27 March 1990, Rush Portuguesa Ldª v Office national d' immigration, ECLI:EU:C:1990:142.

66. C-21/88 Judgment of the Court of 20 March 1990, Du Pont de Nemours Italiana SpA v Unità sanitaria locale Nº 2 di Carrara, ECLI:EU:C:1990:121.

67. C-72/83 Judgment of the Court of 10 July 1984, Campus Oil Limited and others v Minister for Industry and Energy and others, ECLI:EU:C:1984:256.

68. C-113/89, Judgment of the Court (Sixth Chamber) of 27 March 1990, Rush Portuguesa Ldª v Office national d' immigration, ECLI:EU:C:1990:142.

69. Art. 3 Directive 96/71/EC.

be justified, according to the CJEU, by the interest of worker protection when the employees carry out the contract in a Member State where the minimum wage rates are lower, as it fails the proportionality test in going beyond what is necessary to protect employees' interests.[70] Though it still remains a controversial issue, this approach may make Member States rather unwilling to include in the procurement social requirements relating to work conditions (especially minimum wage rates) that only national economic operators shall be obliged to comply with, since, in some sorts of public contracts (especially those of providing services[71]), the contract is often executed in a different Member State than the one of the contracting authority,[72] a state where work conditions are more favourable for the employer-contractor and less favourable for the employees.

Briefly if a social requirement, for example one promoting the employment of long- term unemployed persons, could infringe the principle of non discrimination on the base of nationality if proven that such a requirement could only be satisfied by tenderers from the awarding state or that it could be harder satisfied by tenderers from other states, is not justified.[73] Measures of this kind will thus generally require justification. For such a requirement to be justified, one should examine if it is discriminatory, by taking into account all the specific circumstances.[74] Similarly, an award criterion concerned with engaging long-term unemployed persons to perform the contract could be used by the contracting authority if it is in compliance with all the EU law fundamental principles, such as, primarily, the principle of non discrimination as laid down in the Treaties regarding freedom of establishment and freedom to provide services.[75]

The application of award criteria, unlike the mandatory requirements, allow a comparison of quality and price for all products or services that meet the requirements to be legally in free circulation in the EU internal market. Designing award criteria is completely in line with the aim to make

70. C-549/13 Judgment of the Court (Ninth Chamber), 18 September 2014, Bundesdruckerei GmbH v Stadt Dortmund, ECLI:EU:C:2014:2235.

71. A typical example is the case of call center services provided in a country other than contracting authority's.

72. Even in a third –non EU- country.

73. C-31/87, Judgment of the Court (Fourth Chamber) of 20 September 1988, Gebroeders Beentjes BV v State of the Netherlands, ECLI:EU:C:1988:422.

74. See above footnote no 25.

75. C-225/98, Judgment of the Court of 26 September 2000, Commission of the European Communities v French Republic, ECLI:EU:C:2000:494.

it possible for as many contractors as possible to submit their tenders and provide a more proportionate and effective approach than other mechanisms. For that reason they are easier to justify than admission conditions, selection criteria, technical specifications e.t.c., which are capable of totally excluding tenderers that cannot meet them (Hettne, 2013). Indeed the CJEU in some cases[76] should have found acceptance for environmental considerations through the application of award criteria. Award criteria may therefore be an important addition to the permitted ways of narrowing down the subject matter of the contract. The award criteria must be linked to but not constitute an integral part of the subject matter of the contract (Hettne, 2013).

As far as justification is concerned, many of the interests promoted through public procurement have been, or are likely to be, recognized as grounds for justification, for example, promoting equal opportunities, worker protection, addressing long-term unemployment, reducing pollution and promoting energy from renewable sources (Arrowsmith, 2018:741-742). Though there is little jurisprudence form the CJEU on how the Court will apply such justifications on the context of public procurement, it is submitted that equal status of horizontal policies, the principles of subsidiarity and equality will be the primary tools of any interpretation.

B. Obligations to Member States

Regarding obligations to use procurement in support of policy objectives, the relevant provisions are included both in the 2014 procurement directives and in other EU legislation. Potentially this kind of coordinated approach at EU level greatly enhances the potential for benefits from the use of procurement as a policy tool.

The most typical example of imposing such an obligation on Member States is the horizontal clause of art. 18 par. 2 of 2014/24/EU Directive[77] (Greek law 4412/2016), according to which: "*Member States shall take appropriate measures to ensure that in the performance of public contracts economic operators comply with applicable obligations in the fields of envi-*

76. C-513/99 Concordia Bus Finland, Judgment of the Court of 17 September 2002, ECLI:EU:C:2002:495, C-448/01 Judgment of the Court (Sixth Chamber) of 4 December 2003, EVN AG and Wienstrom GmbH v Republik Österreich, ECLI:EU:C:2003:651.

77. For other examples of such obligation according to EU law on public procurement see above in chapter 1 Introduction and terminology.

ronmental, social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions listed in Annex X" However, though explicit, the above obligation to the Member States is far from being clear and arises interpretation issues regarding which measures taken from a state could meet it. On one hand, the CJEU could interpret the provision as requiring specific actions such as including contract terms or exclusion conditions on such matters. On the other hand, the court might consider that the obligation goes no further than giving consideration to the issue (Arrowsmith, 2018:722-723).

Apart from public procurement directives, a typical example of an obligation imposed to Member States by other EU legal measures are the provisions of Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles, as well as those of Directive 2012/27/EU on energy efficiency.

The first imposes the obligation to all contracting authorities, when purchasing road transport vehicles, to take into account the operational lifetime energy and environmental impacts which include at least the following: (a) energy consumption; (b) emissions of CO2; and (c) emissions of NOx, NMHC and particulate matter. Contracting authorities shall fulfil this obligation either by setting technical specifications for energy and environmental performance on each of the impacts considered, or by including energy and environmental impacts in the purchasing decision, and using these impacts as award criteria and a methodology of operational lifetime costs.

The Energy Efficiency Directive aiming at the reduction of primary energy consumption as well as of greenhouse gas emissions among EU Member States and thereby at the mitigation of climate change, imposes to Member States the obligation of ensuring that central governments purchase only products, services and buildings with high energy-efficiency performance,[78] insofar as that is consistent with cost-effectiveness, economical feasibility, wider sustainability, technical suitability, and sufficient competition, as referred to in Annex III of the Directive.[79]

78. The obligation set out in art. 6 par. 1 of 2012/27/EU Directive shall apply only to contracts for the purchase of products, services and buildings by public bodies in so far as such contracts have a value equal to or greater than the public procurement thresholds (see art. 7 Dir. 2012/27/EU and art. 4 Dir. 2014/24/EU).

79. The specific requirements are laid down in Annex III of 2012/27/EU Directive. For example where a product is covered by a delegated act adopted under Directive 2010/30/EU or by a related Commission implementing directive, Member States shall purchase only the products

Discussion and Conclusions

In conclusion, if it is ultimately not possible to satisfy the preferences of the contracting authority through the definition of the subject matter of the contract and EU has not adopted measures that support the objectives pursued, a concrete assessment of the restrictions on the free movement of the present social and/or environmental requirements must be carried out, taking into account the principles of proportionality, of equal treatment, of non discrimination and the equality among different EU policies (Hettne, 2013).

The above conclusion reflects clearly the implicit difficulties in legally and successfully implementing horizontal considerations in specific public procurement procedures by Member States' contracting authorities. Usually, when involved in the designing of a procurement procedure, they seem rather reluctant integrating such environmental or social policies, which, as thoroughly examined in the previous chapter, shall be assessed in every single case according to the above general EU law principles in order to be considered in line with them, facing the usual danger of being judged as non compatible with the EU law.

Indeed, such a hesitation on behalf of Member States' contracting authorities is rather clear and obvious in a recent study that analyzed tenders form EU member countries based on data on 18 million public tenders in EU from 2006 to 2018 (Datlabblog, 2019). The analysis showed that 66% of suppliers get chosen just because they are the cheapest, since contracting authorities in all these cases prefer to use the price as the only award criterion, without implementing any quality considerations (namely environmental, social or ethical ones) in awarding a public contract.

As far as the introduction of environmental and social criteria in a procurement procedure is concerned, the numbers present a negligible increase from 1,91% in 2006 to 2,13% in 2018 for environmental criteria and from 0,24% in 2006 to 0,68% in 2018 for social criteria. However these rates remain extremely low over the last twelve years even though, as already mentioned, award criteria, unlike selection criteria, appear as the most "*safe*" way to raise the possibilities of ensuring compliance with the

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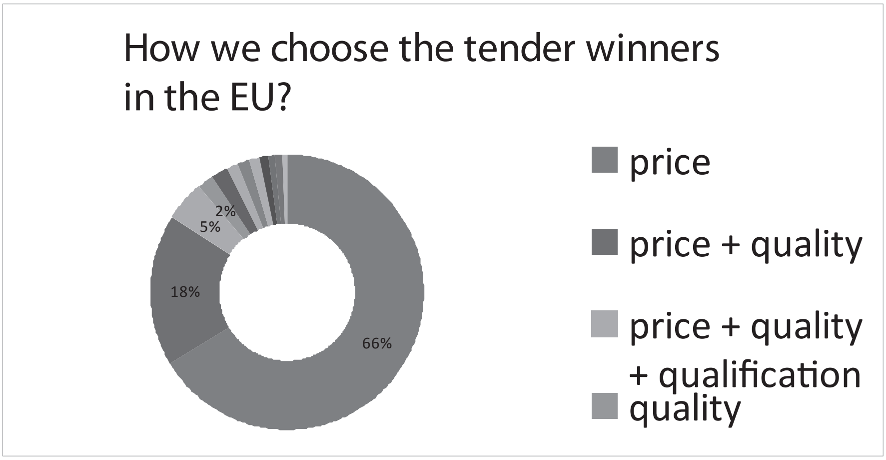
that comply with the criterion of belonging to the highest energy efficiency class possible in the light of the need to ensure sufficient competition. Annex III includes also special requirements based on other legislation regarding office equipment products and tyres. Contracting authorities shall also require in their tenders for service contracts that service providers use, for the purposes of providing the services in question, only products that comply with these requirements.



Source: Datlablog, 2019. Can governments pick quality suppliers?, 16_05_2019

principles of free and fair trade and competition and the free movement provisions. Besides, award criteria seem to be the most effective way to prioritize a better (environmentally or socially speaking) product or service, since technical specifications (e.g. of a product) and selection requirements (set on the supplier) set only minimal demands that do not allow for any flexibility to grade the tenders and select the one that has the most environmental or social impact.

Timeline of Using Environmental & Social Criteria in EU States Public Procurement

YEAR	TENDERS COUNT	ENVIRONMENTAL[80]	SOCIAL[81]
2006	90,851	1.91%	0.24%
2007	124,546	2.34%	0.50%
2008	133,824	2.48%	0.31%
2009	131,453	3.05%	0.40%
2010	161,033	3.31%	0.42%

80. Ecological properties or impact, carbon emisions.

81. Employing disadvantaged, young, long-term unemployed, working conditions (including wages or form of contract), CSR strategy, social impact. Also joint categories with environment fall here.

YEAR	TENDERS COUNT	ENVIRONMENTAL[80]	SOCIAL[81]
2011	135,460	3.42%	0.48%
2012	148,013	3.09%	0.63%
2013	166,071	2.88%	0.40%
2014	185,383	2.75%	0.40%
2015	170,647	2.61%	0.54%
2016	188,146	2.56%	0.83%
2017	202,750	2.21%	0.77%
2018	179,832	2.13%	0.68%

Source: Datlablog, 2019. Can governments pick quality suppliers?, 16_05_2019

According to the study, even though Greece, does not use price as the only award criterion as often as most of the EU Member States, (57% instead of the EU average of 66,5%), it still does not use environmental or social criteria but in extremely rare cases. (0,29% for the first ones and 0,08% for the second ones). According to the same study, France, Austria, Spain and Denmark use environmental criteria most frequently, while Austria, Spain, The Netherlands and Poland social ones. Apparently, with the exception of Poland, the highest rates in using such criteria belong to "old" EU-15 Member States. One usual explanation is that new member countries (including Greece) get much more structural funds, together with various conditions and additional audit lawyer, leading to stress on formal correctness. However other results of the study indicate that this is not the case and that EU funded tenders use more qualitative criteria than their counterparts in the same country.

EU States Map for Using Environmental & Social Criteria in Public Procurement[82][83]

COUNTRY	TENDERS COUNT	ENVIRONMENTAL[82]	SOCIAL[83]
Austria	6530	3.25%	2.77%
Belgium	12737	1.53%	0.47%
Bulgaria	16579	0.43%	0.10%

82. See above footnote no 38.
83. See above footnote no 39.

COUNTRY	TENDERS COUNT	ENVIRONMENTAL[82]	SOCIAL[83]
Croatia	5133	0.86%	0.68%
Cyprus	1020	0.00%	0.00%
Czech Republic	21913	0.14%	0.01%
Denmark	5970	2.66%	0.82%
Estonia	2324	0.17%	0.00%
Finland	8366	0.45%	0.01%
France	108772	8.48%	0.82%
Germany	91840	0.89%	0.15%
Greece	7838	0.29%	0.08%
Hungary	7668	1.63%	0.44%
Iceland	309	0.00%	0.00%
Ireland	1250	1.28%	0.00%
Italy	21394	0.42%	0.14%
Latvia	3842	1.54%	0.13%
Lithuania	5371	0.09%	0.00%
Luxembourg	1614	0.50%	0.06%
Macedonia	5685	0.00%	0.00%
Malta	1829	0.22%	0.22%
Netherlands	14916	0.28%	1.95%
Norway	6134	1.34%	0.10%
Poland	67589	0.80%	1.89%
Portugal	5836	0.21%	0.00%
Romania	20050	1.68%	0.07%
Slovak Republic	5295	0.00%	0.00%
Slovenia	5267	0.15%	0.00%
Spain	26893	2.23%	2.29%
Sweden	15398	0.77%	0.10%
Switzerland	6614	4.84%	1.27%
United Kingdom	43917	1.16%	1.84%

Source: Datlablog, 2019. Can governments pick quality suppliers?, 16_05_2019

Epilogue

Finally, a brief point from a rather different perspective should be presented; we can distinguish between two broad sets of objectives that regulation of procurement markets can be seen as serving; a set of political objectives and a set of economic ones. Although it is too crude a distinction, the truth is that a fundamental choice every legislator and the practitioner in public procurement has to make is the appropriate balance between the political and the economical objectives that quite often are considered to be opposing or conflicting.[84]

However important ideological aspects of both movements appear strikingly similar: both are concerned with discrimination, equal treatment and fair competition, both place a high degree of importance on legal and regulatory structures and both have been highly dependent on international and EU patronage. Yet these apparent similarities camouflage real differences that bring on the table through all times and all over the world the need for making choices and taking weighed decisions (McCrudden, 2013:14-15).

In a legislative and regulatory level these decisions are made through a certain parliamentary and political process both in the EU and each Member State. In the implementation and the practical level, decisions can only be reached by using adequate training and coaching of the contracting authorities' officers whose job is to implement the choices already made by the European and the national legislator in the field. This practical implementation is needed in order for these measures to fully develop the expected impact on the society and the environment.

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84. Those coming from an economically driven procurement perspective are often skeptical of social movements seeking to use public procurement to further their ends while those coming from an equality perspective frequently view public procurement professionals as barriers to the use of a legitimate public policy tool to help achieve important political ends. In this context, too often, public procurement professionals are stereotyped as unreconstructed free-market liberals, whilst equality movements are seen as closet protectionists.

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PART E

SPECIFIC TASKS OF COHESION POLICY

POLITICS AND MANAGEMENT OF STRUCTURAL FUNDS: DIACHRONIC PROBLEMS AND CURRENT CHALLENGES GREECE AND EU: AN OLD AND TESTED RELATIONSHIP

Eleni Chytopoulou

1. Introduction

By 2021, 60 years will have passed from the initial request for joining the EEC and 40 years since Greece became a full EEC/EU member. It is incredible how many striking developments have occurred since then in Greece and the EEC. The enlargement with Spain and Portugal (1986), the adoption of the Single European Act (1987), the establishment of the Single Market (1993), the creation of the European Union (1994), the creation of the Economic and Monetary Union and the introduction of the single currency, the EURO (1999), successive Reforms of the Structural Funds (1988, 1993, 1998), the introduction of the multiannual programming for the expenditure of the Community Budget (Financial Perspectives or Multiannual Financial Frameworks), the extensive Enlargement of 2004 & 2007, the financial crisis of 2008, the unprecedented Greek financial crisis and the challenge of BREXIT. However, all these years, the long-standing relationship between Greece and the EEC/EU has proved to be resilient and substantial.

What made this relation durable? Politics, economics or both?

Since economics interacts with politics, let us see through chronological developments how the European course of Greece evolved.

2. Prior to becoming an EEC member

Greece in the 1950s was trying to recover economically and heal the wounds of the wars, having received substantial financial assistance through the Marshall Plan. The Marshall Plan financing, according to the Truman Doctrine, should have strengthened those political forces that would guarantee stability in the country and the broader region of South-East Europe had an enormous political interest in the US, because Greece and Turkey at that time were considered to be the two ramparts of the West against the Soviet threat. In this context, both the US and the European Community were looking for ways to strengthen economic and political cooperation with these countries, which had already been secured by military cooperation through the NATO membership for both countries. In particular, Greece, having land borders only with Balkan countries and Turkey, as a European country been politically part of the Western Block, was isolated from the other countries of the Community. Nevertheless, the European Community wished to be open to the countries of the European South and Greece despite its structural weaknesses, was a country of interest.

The Greek Government had addressed the issue of joining the EEC alongside the negotiations for the creation of the European Free Trade Area in 1958 and 1959. The political conveyor of Konstantinos Karamanlis led him to finally opt for EEC membership instead of joining the EFTA. Some believe that the Greek government at that time was trying to disengage from its strongly pro-Atlantic policy (Χαρίτος, 1981). The Greek request was officially submitted on 8 June 1959, and the negotiations began in 1960. However, it was understandable by both sides that due to the structural weaknesses of the Greek economy, the country could not swiftly become a full member.

Two years after the request was submitted, an Association Agreement with EEC was signed on July 7, 1961. This agreement was in the form of a substantial commitment since it was not confined to trade and customs cooperation but included several reciprocal obligations which would help to improve the living conditions of the Greek people and would also facilitate the accession of Greece to the EEC.

The political instability and the imposition of the junta in 1967 led to the suspension of the accession negotiations indefinitely.

After the fall of the junta and the re-establishment of democracy, in a letter addressed by the then Prime Minister Constantine Karamanlis, Greece reiter at edits request for EEC membership. For Karamanlis, Greece's accession to the EEC as a full member would ensure democracy. Another interpretation could be that Greece, which had participated with many losses in both world wars and regional wars of the 20th century, claimed its participation in the peace plan that would permanently remove the threat of war from Europe

In the 1960s there is a rise of the Left and an anti-Americanism. After the win of Center Union party in the 1963 elections and the crisis caused mainly by the disagreements with the Royal Palace, a military coup in 1967 arose. The regime of the colonels came down with the events of the Athens Technical University (Polytechnio), and the successor government of the dictator Ioannidis collapsed after the tragic events of 1974 in Cyprus. Konstantinos Karamanlis, with the support of the International Community, returned to Greece from his self-imposed exile in Paris and became Prime Minister. In the Greek post-conflict period, Constantine Karamanlis reformed its political party and established the new right-wing party, "**NEW DEMOCRACY**," and Andreas Papandreou, established the new political party Panhellenic Socialist Movement (**PASOK**)

The feasibility of Greece's accession to the European Community was one of the critical issues of political confrontation after the restoration of the Greek Republic. Constantine Karamanlis insisted steadily on speeding up the accession process and tried hard to overcome the reservations about the Greek nomination by the Commission and some Member States. While Greece conducted a diplomatic struggle to become a member of the EEC, under conditions similar to those applied to the countries of the first enlargement (United Kingdom, Ireland and Denmark) and decoupling its accession from that of Spain, it had to deal with intense opposition on behalf of PASOK and the KKE (Χαρίτος,1981). It should be noted that some of the political Center's personalities and representatives of the Regenerated Left, representing the KKE of the Interior, participated actively in the political dialogue and supported the efforts of the Government.

However, at the end of the 1970s and while PASOK had gained momentum to undertake the country's governance, the tone of confrontation began to emerge, and a special relationship was claimed as a compromise solution. The Accession Agreement was signed solemnly in Zappeion on 28 May 1979 and Greece became a full member (on) 1/1/1981. On 18 October 1981 PASOK, won the national elections with a spectacular result, a landslide victory (48%) using the slogan CHANGE (ΑΛΛΑΓΗ).

3. After the accession to the EEC

Greece became a full member of the EEC at the beginning of a decade of severe turbulence and historic reform. Although the assumption of power by the PASOK government initially raised concerns about how it would act as an equal member of the European Family. However, an ex-post report shows that the socialist government brought new ideas and new air and participated constructively in the dialogue concerning significant institutional changes (adoption of the Mediterranean Integrated Programs, adoption of the Single Market) effectively promoting and defending the rights of the countries of the South.

3.1 The adoption of the Mediterranean Integrated Programs

The Greek Memorandum entitled «Positions of the Greek Government for the Relations of Greece with the European Communities» was issued on 19 March 1982 and the negotiations which led to the adoption of the Mediterranean Integrated Programs, were continuous and tuff and lasted for almost two years (Βάρφης,1984). The Greek side called for: a) recognition of the inherent specificities of Greece (regional inequalities, structural problems), b) increase of resources from the Community budget to address the structural problems of Greece.As a result, the Council of Ministers and the European Commission welcomed from the outset, although, as expected, there were many objections and concerns from the side of the net contributors to the Community budget regarding the feasibility and amount of resources for the implementation of the Mediterranean Integrated Programs. The Mediterranean Integrated Programs were finally adopted in 1984 by the Dublin Summit (December 1984), after Greece had consented to enlargement with Spain and Portugal (Ιωακειμίδης,1997). The approval of the Mediterranean Integrated Programs has been an excellent success for the Greek negotiating team and has highlighted Greece's political weight as a country that knows how to defend its interests and to claim its assets. The Mediterranean Integrated Programs have been the precursor to the multiannual programs, which adopted the coordination of Structural Funds actions and made a substantial contribution towards strengthening the cohesion policy.

The time elapsed since then makes it possible to objectively observe that the Greek Memorandum was a political document with clear objectives and arguments that demonstrate Greece's overall problem not only forcefully but also constructively. The oil crises in early 1980's hit the Greek economy badly, with inflation reaching 25%, and negative growth rates for the first time. In order to cope with the additional turmoil that would result from membership, it was essential to secure a transitional regime.

With the adoption of the Greek memorandum, Greece secured a number of favorable arrangements, including (a) the gradual abolition of the unequal tax treatment of imported and domestic products by 1989; (b) an extension to the elimination of national preference provisions in the public procurement area, (c) obtaining special funding for the social sector (Regulation 815/1984) and the agricultural sector (Regulations: 1975/82, 619 / 84,2966 / 83,1302 / 84 and 764/85) (Ιωακειμίδης,1997).

For the other provisions of the Memorandum, Greece has implemented the acquis communautaire, and there have been substantial changes in the service sector, in public procurement, customs, labor and other sectors. It may be noted that Greece is among the countries that have accepted their compliance with the acquis communautaire in the areas of internal market ?? and opposed less than opt-out from the application of JHA provisions. Greece signed the Schengen Treaty in 1992 and completed the lifting of checks at the airports on 26 March 2000.

3.2. The Community Support Frameworks

A few years later, with the establishment of the so-called Delors packages, particular emphasis was placed on cohesion policy. Greece, like all countries and regions with national income less than the average EU GDP, received considerable Community assistance. Financial support in the form of grants through the implementation of programs and projects co-financed by the EU significantly affected all sectors of the Greek economy. Particular emphasis was placed on removing isolation by upgrading the road network, raising awareness of environmental protection, and upgrading human capital through training programs. A new governance culture for the public sector (programming, evaluation, control) introduced changes to the Greek economy and administration (Huliaras & Petropoulos, 2016, p. 1334).

Table 1: *Participation of Greece in EU Financial Frameworks Since 1986 to Date (Figures In Million Euros)*

	Mediterra-nean Integrated Programs (prices 1986)	1st CSF 1989-1993 (prices 1989)	2nd CSF 1994-1999 (prices 1994)	3rd CSF 2000-2006 (prices 2000)	4th CSF 2007-2013 (prices 2007)	Partnership Contract 2014-2020 prices 2014)
Total Budget	2.482	14.342	29.721	44.563	33,700	26.144
National Public Contribution	696		7.070	11.126	5.800	4.762
Community Funding	1.576	7.193		22.707	20.100	
Private Fund-ing	210	1.347	8.671	10.730	7.500	……

Source: Ministry of Development & Investments

3.3. Other Community Financing

Although, as table 2 shows, the bulk of financing for Greece derives from the Structural Funds (on average 60%), there is also funding from other sources, the most important of which is the FEOGA-Guarantee that finances guarantees for the agricultural sector. It may be noted that the financing for the cohesion policy increases gradually, while the financing for the agricultural sector declines both in absolute and relative terms.

Table 2 *Transactions between Greece and EU 1999-2011 (in million Euros)*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
A. Receipts	5.816	6.004	5.420	5.309	4.605	5.650	5.455	6.733	7.274	7.481	4.498	5.476	6.136	69.357
10% refund on own resources support expenses	20	22	20	45	52	66	67	68	77	77	64	64	47	680
European Social Fund	620	679	248	361	584	640	576	552	783	992	118	295	513	7.001
FEOGA-Orientation	321	391	170	100	138	296	376	382	589	504	261	408	448	4.484
Fund for Solidarity-Management of Migration Flows	–	–	–	–	-	-	-	-	-	-	6	37	25	68
European Regional Fund	1.917	1.936	1.778	1.598	945	1.523	1.341	2.146	3.065	2.858	1.338	1.735	2.219	25.788
FEOGA-Guarantee	2.460	2.506	2.610	2.634	2.757	2.737	2.754	3.072	2.374	2.718	2.398	2.351	2.234	33.605
Other Funds	11	12	9	9	18	7	5	10	19	102	13	16	19	250
Cohesion Fund	421	407	575	549	63	348	311	482	334	200	274	570	591	8.725
Financing from European Economic Area	10	12	7	13	7	4	3	3	2	2	–	–	–	63
Fisheries Fund	36	39	3	–	41	29	22	18	33	30	26	-	40	313
B. Payments	1.275	1.402	1.395	1.425	1.542	2.030	2.224	2.172	3.265	2.649	2.484	2.363	2.157	27.383
Agricultural levies	10	9	10	12	15	18	12	12	11	7	4	2	2	124
Sugar levies	11	11	14	11	8	7	4	3	-	2	2			77
Duties TARIC-ECSC	178	202	178	173	185	259	250	258	297	298	248	277	186	2.989
Contribution based on VAT	563	569	611	553	541	441	424	467	473	577	512	462	372	6.565

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Contribution based on GDP	509	543	537	581	758	1.129	1.211	1.222	1.184	1.415	1.522	1.561	1.408	13.580
Other contributions	4	26	31	44	7	15	41	2	1.108	136	150	12	137	1.713
Contribution to the European Development Fund	–	39	10	19	27	35	33	33	36	40	43	47	48	410
Returns from unexecuted programs	–	–	–	32	1	126	249	175	156	174	3	2	4	922
Participation in the Food Aid Program	–	3	4	–	–	–	–	–	–	–	–	–	–	7
Net receipts from the EU(A-B)	**4.541**	**4.602**	**4.025**	**3.884**	**3.063**	**3.620**	**3.231**	**3.561**	**4.009**	**4.832**	**2.014**	**3.119**	**3.979**	**49.642**

Source: Annual Reports of the Bank of Greece

Nevertheless, Greece remains a net beneficiary of the Community Budget. The presentation of the EU receipts by the Bank of Greece since 2011 has changed therefore the breakdown given in Table 2 is discontinued. The EU receipts, due to their importance, have been included as targets in the successive MOUs and appear also in the Medium Term Medium-term Fiscal Policy Framework(Table 3).

Table 3 *Net receipts from EU, the EU Budget 2012-2018*

In million EURO current prices

Year	Targets[i]
2012	3.464
2013	4.511
2014	4.649
2015	3.900
2016	3.861
2017	1.964
2018 (provisional data)	3.555

Source: Medium Term Medium-term Fiscal Policy Framework 2012-2015, 2015-2018 & 2018-2021

Receipts fluctuations are found to be in line with broader economic and political developments (e.g., beginning or ending of the programming period, financial crisis), while payments are increasing gradually more steadily. It may be pointed out that for Greece no amount of unused funds has been refunded, except over the period 2004-2008.

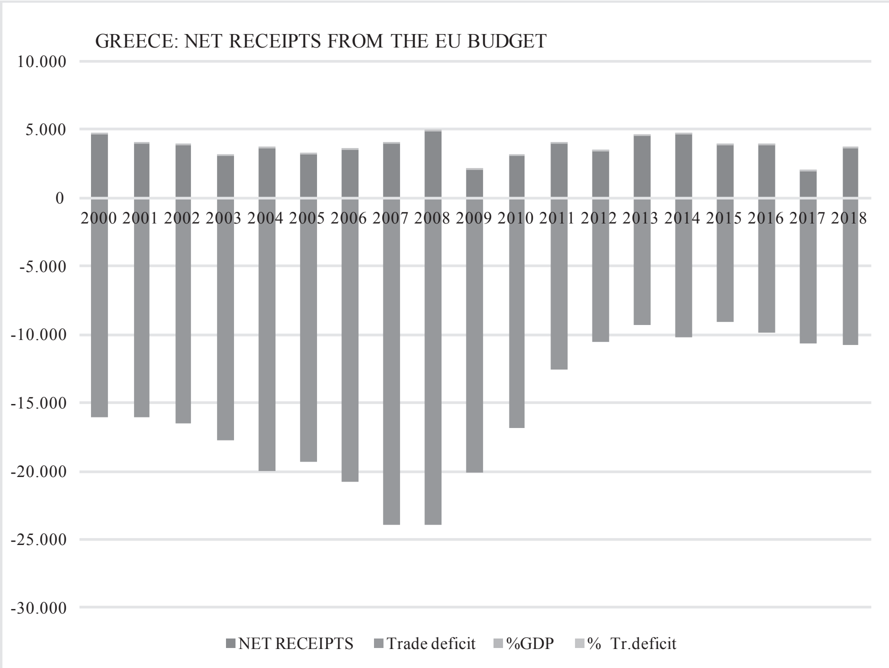
Some further interesting figures presented in Table 4 and Figure 1 provide an overview of how net receipts cover a small portion of GDP and a significant portion of the Greek trade deficit with the EU. This explains the double targeting of the community funding.

Table 4 *Net receipts from the EU Budget as a percentage of GDP and as a percentageof the EU trade deficit*

Years	Net receipts	Tradedeficit	Net receipts %GDP	Net receipts % Tradedeficit
2000	4.602	-16.092	3,8	28,6
2001	4.025	-16.065	3,0	25,0
2002	3.884	-16.531	2,7	23,5
2003	3.063	-17.768	1,9	17,2
2004	3.620	-19.982	2,1	18,1
2005	3.228	-19.301	1,8	16,7
2006	3.561	-20.732	1,7	17,2
2007	4.009	-23.903	1,8	16,8
2008	4.832	-23.969	2,0	20,1
2009	2.014	-20.126	1,0	10
2010	3.113	-16.819	1,4	18,5
2011	3.979	-12.581	1,8	31,6
2012	3.464	-10.548	2,0	32,8
2013	4.511	-9.309	2,4	48,5
2014	4.649	-10.205	2,6	45,6
2015	3.900	-9.054	2,2	43,1
2016	3.861	-9.823	2,2	39,3
2017	1.964	-10.681	1,0	18,4
2018	3.670	-10.737	2,0	34,2

Source: Bank of Greece, Greek Statistics Authority (ELSTAT)

Figure 1



4. Challenges

A severe mistake repeated several times with the political parties' rotation in power was to follow a period of questioning and denunciation of the work of the previous government, resulting in the waste of precious time, the loss of the momentum for important reforms or actions that the previous ideologically different government had launched. Indicatively, when the New Democracy government with Konstantinos Karamanlis, Junior, took over in 2004 after almost a decade of PASOK ruling, it provoked the fiscal census that brought up a new debate at community level regarding the reliability of Greek statistics and creative accounting that PASOK governments applied during their administration.

The result of this complaint was not only to challenge the other Member States if Greece met the Maastricht criteria for the euro membership but also to question the reliability of the ELSTAT statistics submitted to EUROSTAT as a whole. The shadow of the dispute did not dissipate even when it was finally proved that ELSTAT applied the EUROSTAT methodology used also by the Greek side for the calculation of the debt. Furthermore, the government of New Democracy governance undertook to pay the cost overruns for the organization of the OLYMPIC GAMES of ATHENS in 2004. This organization may have been a very decent and successful event, but it had considerably burdened the State Budget due to an incredible waste of money (poor management in the initial phase, long delays in outsourcing, construction of expensive sports infrastructures with no clear prospects for future use).The debt was substantially inflated during the period 2004-2009, and the ND government was pushed out by PASOK in early elections. With PASOK taking office after winning the elections, contrary to what had put up as a pre-election slogan (MONEY EXIST), found out afterwards that there were no funds available. The PASOK government avoiding to be politically exposed, decided not to take the necessary measures from the beginning and in its effort to improve the country's finances, inevitably contributed in increasing further the deficit with the prospect of settling the issue as soon as they have implemented the pre-announced measures. However, in 2009, when the EU was living in the course of the financial crisis and was implementing its Recovery Plan, the government gave the wrong signal to international economic actors which put the country to a difficult situation unable to borrow in the international market. The government found itself alone and without support to manage an explosive problem. The EU was facing such a problem for the first time and did not have the right mechanisms to provide the required assistance. Greece accepted in principle a rescue program with the IMF and borrowed from the newly established EU institution, the EFSF. Monitoring the implementation of the program was undertaken by a TROIKA, composed of representatives of the IMF, the European Commission and ECB. Greece was charged an exorbitant amount and entered a program without debt restructuring. Debt restructuring took place only in 2012 with the PSI?? In 2014, while the country seemed to be recovering and be able to come to an end with the memorandum, like the other member states that had signed a memorandum later and had already been coming out or were about to go out .The opposition led by left-wing party SYRIZA, undermined this exit and forced the government into resignation and early national elections, because SYRIZA opposed to the election of the President. On 25 January 2015, SYRIZA and the right-wing party ANEL took over the Governance of the country, in a climate of euphoria and promises for strong resistance to the irrational demands of the lenders. The unbearable struggle of the SYRIZA government ended with the imposition of capital controls on 28/6/2015 and the agreement with the lenders for a third Memorandum with very unfavorable terms on 12/7/2015. Since then, the SYRIZA government has implemented a program in line with the creditors' requirements, with the Memorandum formally coming to an end on 18/8/2018. However, a long-term and rigorous surveillance for Greece was imposed with another formal agreement document. The Opposition, not unjustly, argues that SYRIZA, who accused the ND and PASOK of endorsement and subjugation, has entered in the same game under the same terms.

Finally, Greece throughout the crisis period with the successive memorandums was burdened with a total of 289 billion euros. It is amazing though that Greece entered the spiral of the debt crisis with a debt 109% of GDP, and today, after all these efforts, it has a debt of 189% of GDP. Moreover, it had to make a very painful restructuring by de-bonding 100 billion euros of debt and pledged the most valuable parts of the property of the Greek State for 99 years.

5. Achievements

While efforts were made to leverage local government's ideas and proposals, planning remained at the center, national level. The first Community framework was part of the Regional Development Plan. The Regional Development Plan was prepared and submitted to the European Commission by the Directorate of Regional Policy and Development of the Ministry for National Economy. This plan was based on a study by the Center for Planning and Economic Research (KEPE). The specification of the Program and the selection of projects were dictated by the country's enormous needs for necessary infrastructure. Besides, the specific timeframe for the implementation of the projects required the approval and implementation of mature projects that were supported by complete studies and were ready to start. Until then, politics had a significant impact on planning, and many projects remained open. In the same direction as the first CSF, the second CSF emphasized the transport and the environment sectors. The Cohesion Fund was created in 1994 to strengthen efforts in these two significant areas. In addition to implementing several projects to complement the necessary infrastructure in the periphery, the country received EU funds to upgrade the transport networks and link the country to the Trans-European Transport Network. The EU also participated in the financing of major social projects such as the Water Supply of Athens and the Water Supply of Thessaloniki. Although the programming initiative belongs to the Member State, the EU has attempted to define an integrated framework for the EU as a whole with guidelines, orientation texts, and common strategies.Concerning the effectiveness of the Structural Funds' interventions for the development of the least developed regions and the achievement of the cohesion objective, there are conflicting views among researchers. Others believe that the effectiveness of the interventions depends on the institutional framework of the beneficiary country (de la Fuente) in Liargovas & Apostolopoulos, 2014.Others believe that the degree of decentralization influences the achievement of a positive outcome (Bahr, 2008 cited in Liargovas & Apostolopoulos, 2014) and others believe that the ability to make decisions at sub-national level is a primary factor along with the existence of appropriate opportunities to sustainable development and achieving the goals set for the future under the programme Europe 2020 (Liargovas & Apostolopoulos, 2014). Some scholars argue that the impact of the Structural Funds is not lasting in the less developed regions, which return to their former status when Community support ceases (Christodoulakis & Kalyvitis, 1998 cited in Huliaras & Petropoulos, 2016, p.1334).The impact of the Structural Funds is multilevel and multifaceted, as by promoting community standards they influence the formulation of national programming of the member states. It is also impressive how the Structural Funds have managed to transfer from Northern Europe to the South, the culture of evaluation, the principle of 'value for money' and the concept of 'safe and sound management'.

All over Greece, many significant big-medium and small projects were funded and changed its development map. Although the impact of the EU funding is not directly quantifiable, what cannot be disputed is the visibility of the result. PATHE, the vertical road axis which connects North-South, Egnatia, the horizontal road axis which connects East-West of Northern Greece, Athens Metro, ports, airports, the unification of archaeological sites in Athens, museums and many other projects received Community financing.

During the financial crisis, when Greece was in extremely difficult position and could not even contribute its own share, the European Union offered significant support. Hence, the cumulative contribution of the NSRF 2007-2013 amounted to approximately EUR 19.9 billion at the end of 2015, and Greece was the first country to absorb the EU funds (cohesion data.ec.

europa).The absorption of funds from both the old (2007-2013) and the new (20014-2020) NSRF has accelerated significantly in the last quarter of 2015, following the implementation of EU-level decisions (2010) on zero national participation for 2007-2013 funds and early payment of 5% of payments that are held until the closure of the programs, as well as the increase in advances for the 2014-2020 funds (Bank of Greece, 2016).

6. Focusing on structural reforms

When talking about Greece's participation in the EEC/EU, the debate usually revolves around economic benefits. However, Greece has also gained significant benefits from its participation in the EEC / EU, in terms of modernizing the state, upgrading services, and improving the level of life for the citizens. The EEC / EU as a normative power has influenced the introduction of significant reforms in the Greek administration over time. Recently, during the financial crisis, EU, IMF, and OECD have insisted in particular on structural measures, which have been regarded as the panacea for improving the economic environment, increasing productivity, removing barriers to entrepreneurship, and improving the functioning of the courts.

Reforms are largely linked to progress and improvement. However, since changes affect the status quo, reforms have definitively political cost and test the endurance of the governments. But, if reforms come about as an international commitment, governments can handle it better and sometimes can even exaggerate. It is typical of the Greek memorandums where the Greek side, "at the mercy of its lenders", was forced to introduce swiftly reforms that had been delayed for years. In fact, on some occasions the Greek side has exceeded the limit, it may have been over-zealous, it may also have been deliberate. However, the structural reforms cannot be accepted immediately, and it takes a long time to get results. Rodrik (2017, p.62) points that "perhaps nowhere in recent years the gospel of structural reforms was promoted with greater vehemence than in Greece." Amid these reforms we consider the following as the most important ones.

6.1 The Law N 1622/86 for Local Government / Regional Development & Democratic Programming

This law changed drastically the Local Government Charter by introducing many innovations. Among these are the setting out of 13 development regions and the creation of the new institution of the Secretary General of the Region. This law also introduced the concept of democratic programming and defined the procedures of medium- and long-term development planning in the country. Based on this Law, the First Regional Development Plan was drawn up, 1989-1993.Subsequently, with Kapodistrias (2539/97), Kallikrates (3852/2010), and Kleisthenes I (4555/2018) Laws, the architecture of Local Government was further modernized.

A key innovation of Kapodistrias is that it obliges the government to pool all primary government resources to finance specific programs approved by the region.

6.2 The Law 2372/28/2/1996 "On the acceleration of the development process"

Under this Law the following new agencies were established to ensure the acceleration of the development process and the efficient management of the co-financed programs and projects in Greece. The creation of an integrated management system was deemed necessary to tackle irregularities and to avoid resource misuse.

i. Management Organization Unit (MOU)

MOU was established as a public company initially for seven years by a joint decision of the Greek Government and the European Union to help make better use of co-financed programs in Greece. MOU supported the implementation of the 2nd and 3rd CSF. MOU is still on the ground and supports the implementation of the Partnership Agreement for the Development Framework 2014-2020**.**

Discussions on the MOU (Management Organization Unit) began in 1988 at the then Ministry of National Economy, alongside the preparation of the first regional development plan presented by Greece to participate in the financing of the first Delors package. It was deemed necessary and effectively enforced the implementation of a new model in planning and management of programming. The new model provided for devolution of responsibilities and enhanced cooperation between the center and the regions to address regional disparities. In order to support these multi-level partnerships, it was necessary to create the appropriate national structures for which highly qualified staff would be recruited to manage this responsible project. These structures would operate on private financial criteria, and staff would be recruited after evaluation.

This was an unprecedented change for the Greek Administration and Ministries, which monopolized the responsibility of national programming. The evaluation (ex-ante, intermediate, and ex-post) and assignment to third parties (universities, private scholars) were two innovations for Greece, which created annoyance because they questioned the authority of the relevant ministries. In order to ensure good cooperation with the Ministries and not to lose the valuable experience of the relevant public services, the possibility of posting civil servants in the MOU was provided. A network of development services was created and covered all regions (Special Management Services), while executive coordination remained at the Center headed by the Ministry of National Economy (new Ministry of Economy and Development).It is incredible that while the EU was pushing for a less public sector, Greece transformed and enlarged the public sector by integrating the technical assistance provider.

ii. ESPEL (Specialized on quality control consultant)

ESPEL was set up with responsibility for conducting quality audits of the construction projects of the public sector bodies co-financed by EU funds. ESPEL monitors the application of the terms of the construction contract (qualitative and quantitative). It examines compliance with approved documents and plans that accompany it as an integral part, applicable regulations, and applicable technical standards.

iii. Public Works /Procurement & Contracting System

As the main bulk of the funding concerned the construction of public works, particular emphasis was placed on modernizing legislation so that works were awarded based on credible bids. Hence the competition of candidate constructors offering high discounts came to an end. Important work has been carried out so far on the modernization and harmonization of national legislation with the EU Directives on public works contracts, public procurement, and services (Law 4412/2016) and the provisions for the award of contracts and the execution of concessions (Law 4413 / 2016).

iv. The Management and Audit System

The Management and Audit System is defined as the set of bodies responsible for managing, certifying, and auditing according to the requirements of the Structural Funds Regulations. The system has progressively evolved from the year 2000 to the present. Changes in the implementing provisions applicable to each programming period were adapted to the reforms of Structural Funds and validated with state laws. Law 4314/2014 includes in detail all changes related to the management, control and implementation of development interventions for the 2014-2020 programming period.

The **Management System** at present consists of: a) authorities responsible for management and control, and b) authorities and structures responsible for coordinating the design and implementation of operational programs

a) Authorities responsible for management and control:

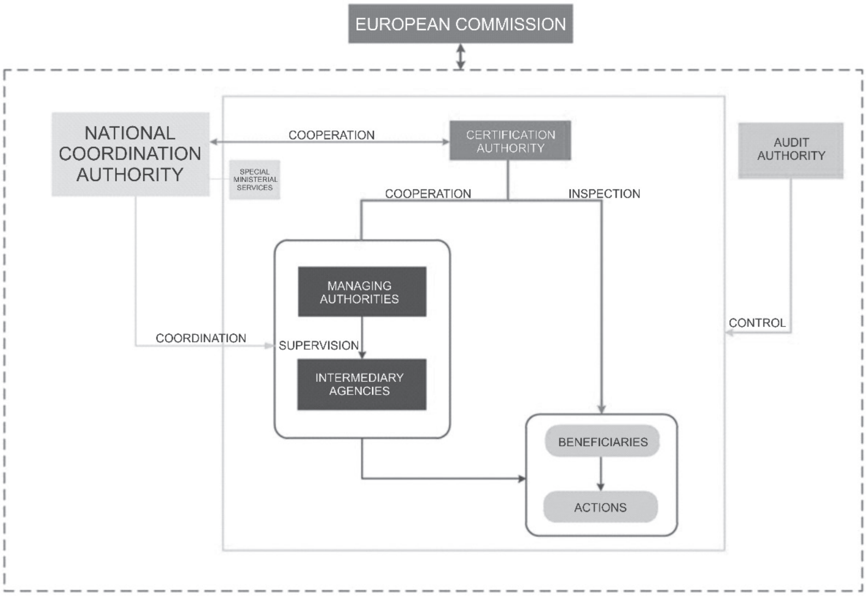
- **The Managing Authorities,** one for each Operational Program (OP). There are 6 Managing Authorities for the sectoral programs and 13 Managing Authorities for the regional programs.
- **The Certification Authority** is responsible for all OPs. The Certification Authority has been designated the "Special Service for the Certification and Verification of Co-funded Programs" under the Ministry of Economy and Development.
- **The Audit Authority**. EDEL has been designated as the Audit Authority at the Ministry of Finance. EDEL controls all bodies or Intermediaries, who are responsible for managing a part of an operational program or specific tasks of the Managing Authority, under its responsibility.
- **The Intermediary Agencies.** Intermediaries are assigned by the Managing Authority to manage a part of an operational program or specific tasks under the responsibility of the Managing Authority.

b) Authorities and structures responsible for coordination and planning

- **The National Coordination Authority**

The National Coordination Authority is the liaison authority and provides information to the European Commission, coordinates the activities of the other designated Authorities / bodies, and promotes the harmonized application of Union and national law. The National Coordination

Figure 2 *Functional picture of the bodies involved in the management and control system of the NSRF 2014-2020*



Source: Ministry of Development & Investment (figure adapted)

Authority is under the Ministry of Economy & Development. The national coordination authority, which has a Directorate-General structure, is not included in the organizational chart of the Ministry of Development & Investments, although it falls under the responsibility of the Secretary-General for Investment and Development of the Ministry.

– **Special Structures of the Ministries**

The creation of special structures is intended to support the Ministry and supervised bodies in reflecting needs and planning policy or intervention interventions. There are 11 special structures of that type.

– **Special Secretariats in the Ministry of Development & Investments**

Two special secretariats for the management of sectoral operational programs have been set up by the Ministry of Development & Investments in 4314/2014. One deals with ESF funded operational programs and the other with ERDF & Cohesion Fund-funded operational programs.

Hence, the management system for the co-financed programs became finally a pharaonic construction. Without calculating the intermediaries, in the current programming period 21 special services are in charge of management and 17 special services in coordination and planning. This complexity has arisen mainly with EU responsibility. Greece was under firm pressure to create aneffective system of co-financed programs. This pressure, which led even to a one-year delay in adopting the provisions of the 3rd CSFs, resulted in a multi-tiered and complicated management system and burdened even more bureaucracy. However, decision-making and final control remain central, despite the creation and strengthening of the regional structures for CSF management.

7. Concluding Remarks

1) Greece, which participated with many losses in both world wars and regional wars of the 20th century, claimed its participation in the peace plan that would permanently remove the threat of war from Europe. In this sense, Greece has sought to join the EU as a safeguard against territorial invasion and aggression in principle by neighboring countries. Similarly, for the EEC, Greece was seen as the guardian of peace in the Balkans and a stronghold against any dangerous Russian invasion of South-East Europe.

2) All Greek governments since 1989 have sought to benefit as much as possible from EU funding. For many years the inefficient use of Community funds and the risk of a return to the EU budget of unused resources has been a matter of concern to governments and is one of the most ‘dangerous weapons’ in the opposition’s arsenal. It is a fact that many “hated” absorption because they feel that it is opposed to quality, however, confirmation of absorption remains a constant headache for all administrations responsible for managing Community resources.

3) The financial crisis in Greece has triggered reforms in the EU to create necessary mechanisms and be able to cope with emergencies. Greece had undoubtedly to be rescued for economic and political reasons, but the price had to be heavy to secure first of all the lenders. The rescue had also to be exemplary to avoid repeat. Greece, which has contributed to its civilization in shaping the principles of Western culture, has experienced over time both the admiration and the harsh criticism of other EU Member

States. Therefore, the Greek crisis had been met with haste and exaggeration. It is widely acknowledged that Greece could have been helped more effectively without outrageous commitments to excessive lending. The first victim of the crisis and a pioneer in the implementation of memorandums, Greece had to apply rigorous austerity measures for ten years and controls on capital movements for 4 years until it slowly recovered.

4) Greece joined the EC with the initiative and actions of conservative governments. Consequently, all conservative governments supported Greek participation in the EU. PASOK in the past and SYRIZA recently adopted initially a challenging attitude. After a period where the SYRIZA government followed a policy of confrontation, facing the high risk of exiting the eurozone and the EU, the democratic arc parties cooperated together to avert adverse developments and SYRIZA was obliged to reconcile with reality.

5) Overall, Greece has had substantially more benefits than losses from the EU membership. The EU provided financial and political support when Greece was under harsh and challenging conditions. The EU also played a crucial role in efforts made to reform and modernize the country.

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THE GREAT RECESSION AND ITS IMPACT ON THE REGION OF EASTERN MACEDONIA AND THRACE, GREECE – PRESENT SITUATION AND DEVELOPMENTAL PROSPECTS

Panagiotis D. Koudoumakis, George N. Botzoris, Angelos L. Protopapas, Vassilios A. Profillidis

1. The crisis and the EU structural funds

In spite the fact that the study of the causes and impacts of the crisis has attracted strong interest from a large number of researchers (Brakman et al., 2015; Giannakis and Bruggeman, 2015; Guerron-Quintana and Jinnai, 2019; Maks-Solomon and Stoker, 2019; Bailey and Berkeley, 2014; Feindt, 2010; Hadjimichalis and Hudson, 2014), the number of research papers that explore the contribution of EU structural funds to mitigating the impacts of the crisis has been limited. Specifically, Arbolino et al. (2019) argue that, during the crisis, the EU structural funds contributed towards the resistance showed by the labour market in various regions of Italy. Bachtrögler (2016) points out the positive impact of the EU structural funds on the per capita Gross Domestic Product (GDP p.c.) of 250 European regions, while she reports a decline in the effectiveness of the cohesion policy over the 2007-2013 period, as a result of the crisis. Healy and Bristow (2015) report the positive contribution of the EU structural funds to covering new needs that emerged during the crisis. Cianiand de Balasio (2015) on the contrary, report that the EU structural funds have limited ability to reduce the negative impacts of the crisis on employment and housing sector in regions of southern Italy. Furthermore, Tătulescuand Pătruţi, A. (2014) refer to the "absorption paradox", i.e. the reduced ability to absorb funds during periods when their utilization needs to be optimized.

The crisis also contributed decisively to redesigning the Cohesion Policy of the EU (Berkowitz et al., 2015). At the core of the proposed changes lies the introduction of the "intervention logic" into the planning of the programs, i.e. a clear link between an identified need and the expected outputs of an intervention. The need for implementing changes on the Cohesion Policy is also highlighted by Camagniand Capello (2015) who argue that, during periods of crisis, it should be made possible to implement direct interventions in the short run, aiming to exploit the local endogenous comparative advantages of each region. Earlier, Smail (2010) has pointed out a series of direct initiatives to boost the implementation of the Cohesion Policy, as the EU's response to the crisis.

Considering the fact that Greece has not yet fully recovered from the crisis, and the impacts mostly refer to the long run (Gaffey, 2013), there are very few reports that deal with the evaluation of the contribution of the EU structural funds to mitigation those impacts. The most recent report by Psycharis et al. (2018), which covers, however, the 2000-2014 period, reaches to the conclusion that, during the financial crisis over the 2009-2014 period, both co-financed projects and projects that were financed exclusively from national resources, have not had any positive impacts on the development of the regions of Greece. Further to that, Huliaras and Petropoulos (2016) recognize the fact that the effectiveness of EU structural funds to Greece was adversely affected by a series of critical factors that are associated with planning and decision-making procedures on both the central and local level. They report characteristic problems that are linked to a constantly changing institutional framework and the beneficiaries' ability to implement projects, the incomplete procedures for planning and evaluating programmes, fragmentation of funds, lack of a recovery mechanism and imposition of sanctions in case of ineffective management, obsession with absorption, and also supporting a bureaucratic system based on clientelism relations.

2. Methodological framework and structure of the paper

It is selected to assess the impacts of the crisis using indicators while the assessment of the contribution of the EU structural funds to mitigating its impacts, by the comparison of the intensity of the crisis versus the intensity of the funds. The increased use of indicators on planning, monitoring and evaluating regional development policies is due to their ability to provide information about complex, multifaceted issues that can be easily understood by the policy-makers (Artelaris, 2017; Eurostat, 2017; González et al., 2015; Koudoumakis et al., 2018; Koudoumakis et al., 2011; Liargovas and Fotopoulos, 2009; Mârza, 2015; Mohseni-Cheraghlou, 2016; OECD, 2019). A major challenge that arises regarding the implementation of the above is the availability of indicators at an appropriate spatial level, as well as the ability to monitor their evolution over time, in order to enable the comparative evaluation of the impacts of the implemented policies, along with events such as the crisis. Within this context, data were gathered from the Eurostat database for about 234 indicators that refer to approximately 270 regions of the EU over a period of 20 years (2000-2018) (Botzoris and Koudoumakis, 2013a, 2013b). An evaluation was carried out concerning the evolution of 40 indicators over time, which refers to sectors such as the economy, demographics, poverty and social exclusion, digital convergence, and research-innovation (Koudoumakis et al., 2018).

From the preceding analysis, it emerges that this report complements existing limited research on the contribution of the EU structural funds towards dealing with the crisis. Since it covers the 2000-2018 period time, it provides a more comprehensive insight into the evolution of the crisis, recovery of certain sectors, and hence, evaluation of the effectiveness of the implemented policies. Although the analysis conducted refers to a single region of Greece, this report aspires to contribute to the scientific debate by presenting a comprehensible and practical method to plan, monitor and evaluate regional development policies, especially during periods of crisis, which could be applied to any region.

Following the above, in section 3, a brief description is attempted of the key characteristics of the R-EMTh, along with an evaluation of the impacts of the crisis on both the economy overall and on each sector, on employment, demographics, poverty and social exclusion, digital convergence, and on research-innovation. In section 4, on the other hand, a presentation takes place, through a comparative analysis of the severity of the crisis and the intensity of interventions of the EU structural funds to responding to the crisis. Finally, in section 5, the key conclusions of the report are listed, as well as any limitations and proposals for future research.

3. The impacts of the crisis on the Region of Eastern Macedonia and Thrace

3.1 The region of Eastern Macedonia and Thrace

The R-EMTh is located along Greece's north-eastern border, covering an area of 14.179km^2 or 10,74% of the total area of the country, and having a population of 608.182 inhabitants or 5,62% of the countries entire population. Efforts to boost R-EMTh's development have been based on two pillars over time. The first refers to promoting the region as a transport and energy hub, harnessing the comparative advantage of its geographical position, while the second one refers to the development of the primary sector and alternative tourism, taking advantage if its endogenous potential in these fields. Until the beginning of the 2007-2013 programming period, and by also taking into account the fact that the R-EMTh is highly lagging in basic infrastructure, emphasis was set on the implementation of regional projects, as well as projects that aimed to eliminate geographical isolation, such as Egnatia motorway, and retaining the region's human resources that are characterized by special multicultural features (Koudoumakis and Botzoris, 2015). In Table 1, the mean value of the regions, for each indicator, as well as the maximum and the minimum values, and the year of occurrence are presented, and the percentage change of each indicator is calculated for the R-EMTh, Greece and the EU.

3.2 Economy

The impacts of the crisis on the economy of both the R-EMTh and the regions of Greece are significant. More specifically, the GVA of the R-EMTh and Greece decreases over the 2008-2016 period by 27,9% and 28,0% respectively. Moreover, the GDP p.c. in Purchasing Power Standards (PPS) of the R-EMTh and Greece decreases by 23,0% and 21,7%, respectively, whereas as a percentage rate of the EU mean value, it decreases from 66% in 2008 to 46% in 2017, placing the R-EMTh in the last (13th) place among the regions of Greece. Accordingly, the GDP p.c. in PPS of Greece as a percentage rate of the EU mean value decreases from 93% in 2008, to 67% in 2017, enhancing the view that the impacts of the crisis on the economy of the regions of Greece have continued to this day (Koudoumakis et al., 2019).

3.3 Employment

The impacts of the crisis on employment, though significant, are limited in 2007-2013 period, since after that and up to 2018, recovery is recorded in almost all the employment indicators of both the R-EMTh, and Greece and the EU. In more particular, the number of the employed in the R-EMTh decreases over the 2007-2013 period, by 20,8% or 49,1 thousand, setting the employment rate at 36,0% in 2013, from 46,4% in 2007. The decrease for Greece is higher and equals 23,8% or 84,5 thousand, with the employment rate amounting to 37,7% in 2013, from 48,9% in 2008. It should also pointed out that, the adverse trend in employment indicators, combined with an increase in the number of members of the population with a higher education background by about 40% shows, inter alia, the need to boost efforts to connect education with production.

3.4 Impacts on individual sectors of the economy

By analyzing the individual sectors of the economy, it emerges that the construction sector suffers the most negative impacts as a result of the crisis, both in the R-EMTh and in Greece overall. More precisely, in the R-EMTh, the GVA of the construction sector declines by 76,8% and the numbers of employees by 65,0%. The impacts of the crisis are considerable on the manufacturing sector, as well, since, over the 2008-2014 period, the decrease in the GVA of the R-EMTh amounts to 26,9% and the number of employees to 33,7%. Severe impacts are also recorded in the retail and wholesale, transport, accommodation and food services sectors, both in the R-EMTh and in Greece. More specifically, the GVA of the above sectors declines in the R-EMTh and in Greece throughout the 2008-2016 period, by 42,4% and 36,6%, respectively. By examining the additional indicators, it emerges that the most severe impacts are suffered by the transport-storage sector, since the volume of freight transport drops by 69,9% in the R-EMTh, by 42,8% in Greece, and by 21,1% in the EU. The accommodation and food services activities suffer the mildest impacts as a result of the crisis, both in the R-EMTh and Greece, since, over the 2008-2013 period, the number of employees decreases by 9,2% and 13,7%, respectively. The above changes in the accommodation and food services activities are in line with the trends shown by tourism-related indicators. In detail, in the R-EMTh, over the 2008-2012 period, a decline is recorded in the number of overnights spent at tourist accommodation establishment by 12,8%, and after that, until 2017, a significant increase is recorded, by 36,5%. Regarding the trend in the information and communication sector, the GVA drops significantly by 2015, both in the R-EMTh and Greece, by 37,7% and 37,9%, respectively. Additional sector that is related to tourism, which is not benefited by tourism growth, is the arts, entertainment, and recreation sector, since, over the 2009-2016 period, the GVA decreases by 29,9% in the R-EMTh and by 34,4% in Greece, while, for the same period, it increases by 16,3% in the EU. Another sector that is also under strong pressure in the R-EMTh is the agricultural sector, where the GVA decreases by 20,8%, the number of employees by 11,4%, the arable land by 14,1%, and the production of cow's milk by 9,6%. A characteristic of the resilience to the crisis that is shown by export-oriented companies is the change in the value of exports over the 2008-2017 period. In more detail, in the R-EMTh and Greece, exports are adversely affected, with a decrease of 20,6% and 17,5%, respectively, which only apply to the 2008-2009 period, and following that, until 2017, the increase in the value of exports amounts to 68,1% in the R-EMTh, and 90,3% in Greece.

3.5 Demographics

From the evaluation of the trend in demographic indicators, it emerges that the crisis adversely affects the demographics of both the R-EMTh and Greece. The birth rate drops over the 2009-2017 period, by 25,5% in the R-EMTh and by 23,4% in Greece, while the decrease over the 2000-2009 period is significantly lower, equal to 6,0% in the R-EMTh and 11,5% in Greece. At the same time, the death rate increases over the 2008-2017 period, by 21,5% in the R-EMTh and by 19,6% in Greece, while over the 2000-2008 period, it is only 1,9% in the R-EMTh and remains unchanged in Greece. The result of the simultaneous decrease in the birth rate and death rate is a considerable increase in the ageing index by 19,7% in the R-EMTh and by 18,6% in Greece.

3.6 Poverty and social exclusion

The poverty and the social exclusion index are available on a NUTS 1 geographical unit level. The percentage rate of the population facing the risk of poverty or social exclusion increases throughout the crisis, by 14,9% in

Northern Greece, and by 30,4% in Greece, while it increases by 10,4% in the EU. A characteristic of the severity of the crisis is the nearly doubling of the rate of the population facing a severe shortage of goods in Northern Greece, from 11,4% in 2008 to 21,4% in 2016, and in Greece, from 11,0% in 2009, to 22,4% in 2016, as well as the nearly tripling of the population living in households with low employment intensity in Northern Greece, from 6,0% in 2009, to 20,0% in 2013, and in Greece from 6,6% in 2009, to 18,2% in 2013. The reduction of the impacts of the crisis from 2014 to 2017, is reflected in the decrease from 8,4% up to 17,0% in Northern Greece, and from 3,3% up to 14,3% in Greece, of the above adverse poverty and social exclusion index.

3.7 Digital convergence and research-innovation

During the period of the crisis, the situation in the R-EMTh and the EU was improved in the field of digital convergence. More specifically, in the R-EMTh, the households with internet access tripled, the households with internet access tripled, the households with broadband connection quadrupled, the population that interacts online with public authorities doubled, and the population that uses the internet to buy goods or services quintupled. Regarding the research-innovation sector, the R-EMTh does not follow the positive trend that is noticed in Greece. Specifically, expenditures on research-innovation increased by 22,8% in R-EMTh, while in Greece it increased by almost doubled, 55,0%. In addition, whereas in Greece, business spending on research-innovation doubles, in the R-EMTh, a decrease by 52,9% is recorded. Accordingly, the number of employees in research and innovation increases by 7,0% in the R-EMTh, while it increases significantly, by 53,3% in Greece, and the number of applications for registering a European trademark remains unchanged in the R-EMTh, while it increases by 51,1% in Greece, providing evidence of the efforts to utilize the outcomes to research to benefit entrepreneurship.

Table 1 *Changes in indicators in the REMTh, GREECE and in the EU*

Indicator				R-EMTh-(EL11)				Greece (EL)				European Union (EU)			
	id	Title	Unit	Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change	
Economy	1	Gross value added (GVA)	(Mil-lioneuro)	8.350 *(2008)*	6.024 *(2016)*	↓	-27,9%	16.448 *(2008)*	11.850 *(2016)*	↓	-28,0%	38.465 *(2007)*	36.165 *(2009)*	↓	-6,0%
					6.065 *(2017)*	↑	0,7%		12.117 *(2017)*	↑	2,3%		46.591 *(2017)*	↑	28,8%
	2	Gross domestic product (GDP)	(PPS per capita)	17.400 *(2008)*	13.400 *(2013)*	↓	-23,0%	24.400 *(2008)*	19.100 *(2012)*	↓	-21,7%	26.100 *(2008)*	24.500 *(2009)*	↓	-6,1%
					13.900 *(2017)*	↑	3,7%		20.200 *(2017)*	↑	5,8%		30.000 *(2017)*	↑	22,4%
			(%)	66 *(2008)*	46 *(2017)*	↓	-30,0%	93 *(2008)*	67 *(2017)*	↓	-28,0%	*100*	*100*		
Employment	3	Employed	(Thou-sand)	236,5 *(2007)*	187,4 *(2013)*	↓	-20,8%	354,7 *(2008)*	270,2 *(2013)*	↓	-23,8%	814,8 *(2008)*	769,0 *(2013)*	↓	-5,6%
					213,4 *(2018)*	↑	13,9%		294,5 *(2018)*	↑	9,0%		820,2 *(2018)*	↑	6,7%
	4	Employment	(%)	46,4 *(2007)*	36,0 *(2013)*	↓	-22,4%	48,9 *(2008)*	37,7 *(2013)*	↓	-22,9%	53,4 *(2008)*	51,3 *(2013)*	↓	-3,9%
					41,9 *(2018)*	↑	16,4%		41,9 *(2018)*	↑	11,1%		54,1 *(2018)*	↑	5,5%
	5	Employment of women	(%)	35,7 *(2007)*	28,1 *(2013)*	↓	-21,3%	37,7 *(2009)*	30,0 *(2013)*	↓	-20,4%	46,2 *(2008)*	45,5 *(2013)*	↓	-1,5%
					33,9 *(2018)*	↑	20,6%		33,6 *(2018)*	↑	12,0%		48,3 *(2018)*	↑	6,2%
	6	Long-term unemployment as a percentage of unemployment	(%)	49,6 *(2009)*	71,8 *(2017)*	↑	44,8%	40,4 *(2009)*	73,5 *(2014)*	↑	81,9%	33,4 *(2009)*	49,4 *(2014)*	↑	47,9%
					68,0 *(2018)*	↓	-5,3%		70,4 *(2018)*	↓	-4,2%		43,2 *(2018)*	↓	-12,6%
	7	Young people neither in employment nor in education and training	(%)	15,3 *(2008)*	28,3 *(2013)*	↑	85,0%	11,3 *(2008)*	20,4 *(2013)*	↑	80,5%	10,9 *(2008)*	13,2 *(2012)*	↑	21,1%
					14,9 *(2018)*	↓	-47,3%		14,1 *(2018)*	↓	-30,9%		10,5 *(2018)*	↓	-20,5%
	8	Employed persons with tertiary education	(Thou-sand)	50,1 *(2009)*	44,8 *(2013)*	↓	-10,6%	90,3 *(2010)*	86,4 *(2012)*	↓	-4,4%	213,2 *(2010)*	269,0 *(2018)*	↑	26,2%
					58,5 *(2018)*	↑	30,6%		104,8 *(2018)*	↑	21,3%				
	9	Population with tertiary education	(%)	18,0 *(2008)*	25,1 *(2018)*	↑	39,4%	22,8 *(2008)*	31,7 *(2018)*	↑	39,0%	24,2 *(2008)*	32,3 *(2018)*	↑	33,5%

Indicator				R-EMTh-(EL11)				Greece (EL)				European Union (EU)			
	id	Title	Unit	Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change	
Impact on individual sectors of the economy	10	GVA of sector F: Construction	(Millioneuro)	640,0 *(2006)*	148,6 *(2015)*	↓	-76,8%	1.391,2 *(2006)*	254,9 *(2015)*	↓	-81,7%	2.603,4 *(2007)*	2.141,9 *(2013)*	↓	-17,7%
					149,9 *(2016)*	↑	0,8%		295,7 *(2016)*	↑	16,0%		2.501,9 *(2016)*	↑	16,8%
	11	Persons employed in sector F: Construction	(Number)	15.112 *(2009)*	5.285 *(2015)*	↓	-65,0%	21.931 *(2009)*	10.159 *(2015)*	↓	-53,7%	47.583 *(2011)*	43.357 *(2013)*	↓	-8,9%
					5.652 *(2016)*	↑	6,9%		11.158 *(2016)*	↑	9,8%		43.736 *(2016)*	↑	0,9%
	12	GVA of sector C: Manufacturing	(Millioneuro)	947,0 *(2008)*	692,5 *(2014)*	↓	-26,9%	1.582,9 *(2008)*	1.155,3 *(2014)*	↓	-27,0%	7.026,6 *(2007)*	5.884,7 *(2009)*	↓	-16,3%
					749,0 *(2016)*	↑	8,2%		1.247,8 *(2016)*	↑	8,0%		7.771,6 *(2016)*	↑	32,1%
	13	Persons employed in sector C: Manufacturing	(Number)	22.002 *(2008)*	14.593 *(2013)*	↓	-33,7%	33.194 *(2008)*	22.245 *(2013)*	↓	-33,0%	120.285 *(2008)*	106.517 *(2013)*	↓	-11,4%
					15.598 *(2016)*	↑	6,9%		23.951 *(2016)*	↑	7,7%		106.674 *(2016)*	↑	0,1%
	14	GVA of sectors G-I: Wholesale and retail trade, transport, accommodation and food service activities	(Millioneuro)	2.093,0 *(2008)*	1.204,6 *(2016)*	↓	-42,4%	4.378,3 *(2008)*	2.775,5 *(2016)*	↓	-36,6%	7.697,53 *(2008)*	7.240,1 *(2009)*	↓	-5,9%
													8.992,1 *(2016)*	↑	24,2%
	15	Freight transport	(Thousand-tonnes)	69.008 *(2007)*	20.805 *(2015)*	↓	-69,9%	204.519 *(2009)*	116.893 *(2017)*	↓	-42,8%	68.447.616 *(2008)*	53.932.486 *(2017)*	↓	-21,2%
					27.428 *(2017)*	↑	31,8%								
	16	Persons employed in sector H: Transportation and storage	(Number)	6.796 *(2009)*	4.525 *(2013)*	↓	-33,4%	15.850 *(2008)*	12.819 *(2013)*	↓	-19,1%	38.433 *(2008)*	40.020 *(2016)*	↑	4,1%
					5.278 *(2016)*	↑	16,6%		14.165 *(2016)*	↑	10,5%				
	17	Persons employed in sector I: Accommodation and food service activities	(Number)	12.867 *(2008)*	11.677 *(2013)*	↓	-9,2%	23.382 *(2008)*	20.173 *(2012)*	↓	-13,7%	36.185 *(2008)*	42.527 *(2016)*	↑	17,5%
					20.019 *(2016)*	↑	71,4%		37.549 *(2016)*	↑	86,1%				
	18	Overnights spent at hotels and similar accommodation	(Number)	1.657.990 *(2008)*	1.446.077 *(2012)*	↓	-12,8%	5.318.312 *(2011)*	4.850.365 *(2012)*	↓	-8,8%	5.710.480 *(2007)*	5.473.296 *(2009)*	↓	-4,2%
					1.973.242 *(2017)*	↑	36,5%		6.740.644 *(2017)*	↑	39,0%		7.324.661 *(2017)*	↑	33,8%
	19	GVA of sector J: Information and communication	(Millioneuro)	159,7 *(2007)*	99,5 *(2015)*	↓	-37,7%	659,1 *(2009)*	409,5 *(2015)*	↓	-37,9%	1.988,8 *(2007)*	1.879,5 *(2009)*	↓	-5,5%
					100,9 *(2016)*	↑	1,4%		412,8 *(2016)*	↑	0,8%		2.378,0 *(2016)*	↑	26,5%

		Indicator		**R-EMTh-(EL11)**				**Greece (EL)**				**European Union (EU)**			
	id	Title	Unit	Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change	
Impact on individual sectors of the economy	20	Persons employed in sector J: Information and communication	(Number)	1.839 *(2008)*	1.133 *(2011)*	↓	-38,4%	8.025 *(2008)*	5.391 *(2013)*	↓	-32,8%	20.819 *(2008)*	23.955 *(2016)*	↑	15,1%
					2.247 *(2016)*	↑	98,3%		6.121 *(2016)*	↑	13,5%				
	21	GVA of sectors: R-U - Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies	(Millioneuro)	304,7 *(2009)*	213,6 *(2016)*	↓	-29,9%	759,1 *(2009)*	497,6 *(2016)*	↓	-34,4%	1.429,2 *(2009)*	1.662,2 *(2016)*	↑	16,3%
	22	GVA of sector A: Agriculture, forestry and fishing	(Millioneuro)	569,8 *(2007)*	451,1 *(2014)*	↓	-20,8%	543,7 *(2007)*	445,7 *(2013)*	↓	-18,0%	644,0 *(2008)*	557,5 *(2009)*	↓	-13,4%
					477,9 *(2016)*	↑	5,9%		485,6 *(2016)*	↑	9,0%		743,2 *(2016)*	↑	33,3%
	23	Persons employed in sector: A-Agriculture, forestry and fishing	(Number)	62.630 *(2007)*	55.470 *(2016)*	↓	-11,4%	41.768 *(2009)*	35.525 *(2016)*	↓	-14,9%	42.161 *(2007)*	37.835 *(2016)*	↓	-10,3%
	24	Arableland	(1.000 ha)	517,08 *(2012)*	444,41 *(2015)*	↓	-14,1%	242,86 *(2012)*	222,54 *(2015)*	↓	-8,4%	478,28 *(2012)*	447,87 *(2015)*	↓	-6,4%
	25	Production of cow's milk	(1.000 t)	112,65 *(2007)*	101,80 *(2013)*	↓	-9,6%	59,60 *(2007)*	46,67 *(2013)*	↓	-21,7%	616,98 *(2007)*	684,056 *(2016)*	↑	10,9%
					113,25 *(2017)*	↑	11,2%		51,56 *(2017)*	↑	10,5%				
	26	Exports	(Millioneuro)	696,60 *(2008)*	553,01 *(2009)*	↓	-20,6%	21.319,78 *(2008)*	17.584,22 *(2009)*	↓	17,5%				
					926,68 *(2017)*	↑	68,1%		33.456,12 *(2018)*	↑	90,3%				
Demographics	27	Birth Index (number of births per 1.000 inhabitants)	(-)	10,6 *(2009)*	7,9 *(2017)*	↓	-25,5%	10,7 *(2008)*	8,2 *(2017)*	↓	-23,4%	10,9 *(2008)*	10,0 *(2017)*	↓	-8,8%
	28	Death Index (number of deaths per 1.000 inhabitants)	(-)	10,7 *(2008)*	13,0 *(2017)*	↑	21,5%	9,7 *(2008)*	11,6 *(2017)*	↑	19,6%	9,9 *(2008)*	10,5 *(2017)*	↑	6,0%
	29	Ageing Index (population> 65 years old to a population of up to 15 years)	(-)	136,0 *(2008)*	162,9 *(2018)*	↑	19,7%	127,5 *(2008)*	151,3 *(2018)*	↑	18,6%	108,3 *(2008)*	126,8 *(2018)*	↑	17,0%

		Indicator		R-EMTh-(EL11)				Greece (EL)				European Union (EU)			
	id	Title	Unit	Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change	
Poverty and Social Exclusion	30	Population at risk of poverty or social exclusion	(%)	32,2 *(2010)*	37,0 *(2013)*	↑	14,9%	27,6 *(2010)*	36,0 *(2014)*	↑	30,4%	25,4 *(2008)*	28,0 *(2013)*	↑	10,4%
					33,9 *(2017)*	↓	-8,4%		34,8 *(2017)*	↓	-3,3%		22,7 *(2017)*	↓	-18,9%
	31	Population with severe deprivation of material goods	(%)	11,4 *(2008)*	21,4 *(2016)*	↑	87,7%	11,0 *(2009)*	22,4 *(2016)*	↑	103,6%	10,4 *(2008)*	13,3 *(2012)*	↑	27,4%
					19,4 *(2017)*	↓	-9,3%		21,1 *(2017)*	↓	-5,8%		8,0 *(2017)*	↓	-39,7%
	32	People living in households with very low work intensity	(%)	6,0 *(2009)*	20,0 *(2013)*	↑	233,3%	6,6 *(2009)*	18,2 *(2013)*	↑	175,8%	8,3 *(2008)*	11,6 *(2013)*	↑	40,2%
					16,6 *(2017)*	↓	-17,0%		15,6 *(2017)*	↓	-14,3%		9,6 *(2017)*	↓	-17,6%
Digital convergence	33	Households with access to the internet at home	(%)	23 *(2008)*	73 *(2018)*	↑	217,4%	31 *(2008)*	76 *(2018)*	↑	145,2%	56 *(2008)*	87 *(2018)*	↑	55,1%
	34	Householdswith-broadbandaccess	(%)	16 *(2008)*	73 *(2018)*	↑	356,5%	22 *(2008)*	76 *(2018)*	↑	245,5%	44 *(2008)*	84 *(2018)*	↑	90,6%
	35	Individuals who used the internet for interaction with public authorities	(%)	23 *(2011)*	52 *(2018)*	↑	126,1%	27 *(2011)*	50 *(2018)*	↑	85,2%	41 *(2011)*	54 *(2018)*	↑	32,3%
	36	Individuals who ordered goods or services over the internet for private use at least once during the year	(%)	7 *(2008)*	37 *(2018)*	↑	428,6%	9 *(2008)*	36 *(2018)*	↑	300,0%	27 *(2008)*	56 *(2018)*	↑	107,0%
Research & Development (R&D)	37	Expenditure on Research and Development (R&D) as a percentage of GDP	(%)	0,57 *(2011)*	0,70 *(2015)*	↑	22,8%	0,66 *(2008)*	0,99 *(2016)*	↑	55,0%	1,83 *(2008)*	2,04 *(2016)*	↑	11,5%
	38	Business expenditure on Research & Development (R&D) as a percentage of GDP (BES)	(%)	0,17 *(2011)*	0,08 *(2015)*	↓	-52,9%	0,21 *(2008)*	0,42 *(2016)*	↑	100,0%	1,16 *(2011)*	1,33 *(2015)*	↑	14,7%
	39	Total Research and Development (R&D) personnel and researchers	(%)	1,71 *(2011)*	2,20 *(2013)*	↑	7,0%	1,77 *(2011)*	2,71 *(2015)*	↑	53,3%	1,87 *(2011)*	2,04 *(2015)*	↑	9,0%

		Indicator		R-EMTh-(EL11)				Greece (EL)				European Union (EU)			
	id	Title	Unit	Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change		Value *(year)*	Value *(year)*	Change	
	40	European Union trade mark (EUTM) applications	(Num-ber)	6 *(2007)*	6 *(2016)*	-	0,0%	36 *(2007)*	54 *(2016)*	↑	51,1%	209 *(2007)*	256 *(2016)*	↑	22,0%

Source: Eurostat Database, SEVE – IEES for exports and own processing.

Note: In the "Change" column, red color denotes indicators, the decrease (negative sign) or increase of which is a negative trend, and green color denotes indicators, the decrease (negative sign) or increase of which is a positive trend.

4. The contribution of EU structural funds to addressing the crisis

In order to evaluate the contribution of EU structural funds to addressing the crisis in the R-EMTh, the data were gathered of interventions that were financed by all the operational programs, whether regional, sectoral, or cross-border, within the context of the 2007-2013 and 2014-2020 programming periods. More specifically, data were gathered on more than 12,5 thousands of projects, with public spending of approximately €2,152bn, which were grouped into ten sectors, as they are summarized in Table 2.

Table 2 *Allocation of EU structural funds per sector in the R-EMTh, form 2007 to June 2019*

SECTOR OF INTERVENTION		BUDGET (€)	PERCENTAGE (%)
1	Transport	385.424.693	17,9%
2	Environment	334.840.810	15,6%
3	Entrepreneurship, Research-Innovation	300.668.627	14,0%
4	Social cohesion and poverty mitigation	256.911.283	11,9%
5	Employment	255.257.978	11,0%
6	Agricultural sector	232.590.000	10,8%
7	Tourism - Culture	186.105.050	8,6%
8	Energy	158.644.495	7,4%
9	Digital convergence	31.899.710	1,5%
10	Technical assistance	9.612.285	0,4%
	TOTAL	2.151.954.933	100%

Source: Integrated Information System, Ministry of Development and Investments and own processing.

In more detail, in the transport sector, which includes interventions towards the development of the road and railway network, seaport and airport facilities, more than €385,4m are allocated. In terms of budget significance, this is followed by the sector of the environment with approximately €334,8m. The provision of the financial support for entrepreneurship is also significant, in conjunction with research-innovation, standing at €300,7m, aiming to boost the competitiveness of the local economy through investments that emerge from the "Smart Specialization Strategy" (RIS3). The amount for enhancing social cohesion and poverty mitigation stands at €256,9m and the sector of employment is supported by interventions with a budget of €255,3m, both for the access of the unemployment to employment and adaption of employees and business to changes. The funds that are directed to support the agricultural sector amount to €232,6m and include interventions both for supporting investment plans in the primary sector and construction of infrastructure to improve the productivity of cultivated lands. In order to harness the tourism potential €186,1m are directed, both through direct investments and integrated spatial development planning of areas that compose a network of cultural-natural resources, as well as the sustainable development of urban areas within the R-EMTh. The energy sector, the growth of which is a key development strategy for the R-EMTh, selects investments of €158,7m. The field of the digital convergence has the lowest support intensity at €31,9m, which is largely attributed to the long delay in the implementation of nationwide projects. Delays are indicatively reported in the completion of broadband infrastructure, digitization end e-governance, justice, spatial planning and forest lands, and e-commerce.

5. Conclusions

From the evaluation of indicators trend over time, which refer to the sectors of the economy, employment, demographics, poverty and social exclusion, digital convergence, and research-innovation, it emerges that the impacts of the crisis that occurred in Greece in 2008 have continued across many sectors and fields to this day. In key production sectors of the economy, such as manufacturing, the agricultural sector, wholesale and retail trade, transport and storage, accommodation and food service activities, and construction, the impacts of the crisis remain significant. Even tourism, which is less affected and has shown a constant rising trend since 2012, does not contribute with the same positive trend to the economy of the sectors that are directly linked to it, such as the accommodation and food service activities, the sector of information and communication technology, and the arts, entertainment and recreation sector. In the field of research-innovation, the R-EMTh does not follow the positive trend that is recorded in Greece, especially to business expenditure on research-innovation, as well as utilizing research results to benefit companies. The recovery that observed in several sectors, such as employment, digital convergence and poverty and social exclusion mitigation, should be closely monitored, to be able to draw safe conclusions about either the permanent or the temporary character of the recovery. Regarding employment, in particular, the form and sustainability of the jobs that were created, simultaneously with addressing the issue of long term unemployment, the rate of which remains very high, both within the R-EMTh and in Greece, need to be investigated further. An exception is the sector of exports, where export-oriented companies, such as companies manufacturing and trading marbles, agro-food, petroleum products, and chemical and plastic industry, demonstrate considerable growth potential, even during the crisis. An issue of major concern is the severe decline in demographics of both the R-EMTh and Greece. The ageing index in the R-EMTh rises by 25% over the 2009-2018 period, compared to the 2000-2009 period, whereas it doubles in Greece. The rise in the ageing index is a sign of a shrinking population and a subsequent adverse impact on areas such as employment, social protection, insurance, and health, and the overall economy, as a result. Hence, addressing the phenomenon of demographic ageing and reversing the adverse demographic trend should continue to be a key strategic goal over the next years.

On the other hand, major interventions by the structural funds of the EU have been recorded from 2007 to this day. In Table 3, an illustration of the intensity of the crisis per sector in the R-EMTh takes place, along with the intensity of interventions that are funded by the EU structural funds.

Table 3 *Correlation of crisis intensity per sector in the R-EMTh and intensity of the EU structural funds interventions*

Sector	Crisis Intensity	Interventions intensity	Notes
Construction	Very strong (---)	Very strong (+++)	Decline in the GVA by 76,8% and in employment by 65,0%. Signs of marginal stabilization are recorded in the 2015-2016 period. Although no direct financial support is implemented, it is estimated that the positive impacts from the implementation of projects with a budget of over €1,5bn will be reflected in the most recent GVA and employment data.
Manufacturing	Strong (--)	Strong (++)	Decline in the GVA by 26.9% and in employment by 33,7%. Signs of recovery are recorded in the 2013-2016 period. There is direct and strong support through the implementation of investment plans, since a considerable part of funds for entrepreneurship and research-innovation are directed to boost manufacturing in sectors and products that can emerge through regional and national RIS3 strategies.
Transportand storage	Strong (--)	Strong (++)	Decline in employment by 33,4% and in freight transport by 69,9%. Signs of recovery are recorded over the 2015-2017 period, with a rise in employment by 16,6% and in freight transport by 31,8%. Although no direct financial support is implemented, it is estimated that there are indirect benefits from interventions of €385,4m the field of transport infrastructure.
Accommodation and food service activities (tourism)	Low (-)	Strong (++)	Decline in employment by 9,2%, high volatility and dependence on the external recovery in the 2013-2016 period. Direct significant support through EU structural funds is implemented, since tourism is included in the core of the development strategy of the R-EMTh. Furthermore, interventions are implemented through integrated territorial investments in areas that compose network of cultural-natural resources, as well as through the urban sustainable strategies of R-EMTh.
Information and communication	Strong (--)	Low (+)	Decline in the GVA by 37,7% and in employment by 38,4%. Signs of marginal stabilization in the sector are recorded in the 2015-2016 period. The sector of ICT attracts the lowest intensity of financial support from EU structural funds, mostly due to the long delay in the completion of nationwide projects.
Agricultural	Strong (--)	Strong (++)	Decline in the GVA by 20,8%, in employment by 11,4%, and in arable land by 14,1%. Signs of recovery are recorded in the 2013-2017 period. The sector gathers direct and strong support, both through EU Regional Development to funds to support investment plans for research-innovation, where the agro-food sectors has emerged at the core of the regional RIS3, as well as through the 2014-2020 Rural Development Program, where €232,6m, are directed to support the sector.
Poverty and social exclusion	Verystrong (---)	Verystrong (+++)	Increase by 14,9% of the population facing the risk of poverty, doubling of the population facing severe shortage in material goods, and tripling of the population in households with low employment intensity. After 2014, the impacts of the crisis have been reduced, due to the implementation of targeted interventions with a budget of over €256,9m, while, within the context of the 2014-2020 programming period in particular, a distinct thematic objective has been introduced to promote social inclusion and poverty mitigation.

Source: Own processing.

From the evaluation of the data of Table 3, it emerges that there is very high-intensity interventions by the EU structural funds in sectors and areas that suffer the severe impacts of the crisis, such as the construction, manufacturing and agricultural sectors, as well as in poverty and social exclusion mitigation. Although the accommodation and food service activities, which is directly linked to the tourism sector, suffers mild impacts, it receives significant support from EU structural funds, since it is a key pillar of the development strategy of the R-EMTh. On the contrary, low-intensity interventions are implemented in sectors of transport and storage and information and communication technology, despite strong impacts being recorded during the crisis. It is proposed that research should expand over the impacts of the crisis on other areas and sectors, as well, such as the environment, energy, quality of governance, etc., where due to lack of data on a regional level, it was not possible to be included in this paper. Moreover, in order to set the right policy mix, it is required to research and take into account the significance of each sector to the regional economy, as well as any forms of interdependence that develop between sectors and regions.

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THE IMPACT OF THE EUROPEAN UNION ON REFORMING THE GREEK GOVERNANCE SYSTEM: SUBNATIONAL MOBILIZATION IN COMPARATIVE PERSPECTIVE

Giorgio Oikonomou

1. Introduction

The promising administrative reform launched in 2010 ("Kallikratis" programme; law 3852) in Greece has been a major transformative initiative, aiming primarily at rearranging the subnational setting by altering the architecture of the Greek governance (Chorianopoulos, 2011; Hlepas, 2018; Hlepas and Getimis, 2011). Respectively, new decentralized administrative bodies and self-governed local and regional authorities were established with a view to cope more effectively with territorial affairs. Notably, amalgamations at the local level and the consolidation of regional authorities were the core measures of the reform, whereas the state decentralized administrative level, as now formally represented by the seven decentralized administrations, suffered a significant loss of power for the first since their creation in 1986. On the contrary, self-governed authorities expanded their authority in new policy areas.

The administrative reform has been the result of a combination of endogenous and exogenous factors. In the first place, pressures for increasing organizational efficiency and effectiveness to cope with territorial policies had arisen soon after the completion of the previous reform plan in 1997 ("Kapodistrias"), thus denoting the need for expanding the administrative transformation in the Greek architecture of governance as a whole. Secondly, exogenous factors such as the effective participation in the

European Union (EU) policy-making, and in particular policy-delivering, created adaptation pressures to European norms and preconditions related with prominent –based in budget figures– EU public policies, like the EU cohesion policy (Hooghe, 1996; Leonardi, 2005; Allen, 2010).

This chapter aims at shedding light on the influence of the EU on decentralizing governance in Greece by examining the financial mobilization (Callanan and Tatham, 2014) of the subnational institutions, namely local and regional authorities, before, and in particular, after the implementation of the "Kallikratis" reform programme. Drawing on the literature of multi-level governance (MLG) and utilizing empirical evidence from the implementation of programmes financed by the European structural funds during two successive programming periods (2007-2013 and 2014-2020), it is argued that the EU has been a major catalyst for inducing administrative reforms in the Greek architecture of governance by providing alluring financial motives, thus allowing for the financial mobilization of the Greek subnational authorities in the domestic level altogether.

The analysis of the present contribution continues as follows: the next section provides theoretical insights regarding the EU transformative power, the concept of MLG, as well as a brief presentation of the "Kallikratis" reform plan. In the following part quantitative data derived from the implementation of EU cohesion policy programmes for the programming periods 2007-2014 and 2014-2020, which account for the financial mobilization of the Greek subnational authorities, and presented and discussed. Finally, conclusions are drawn from the analysis.

2. Theoretical insights: adaptation pressures and the "Kallikratis" reform plan

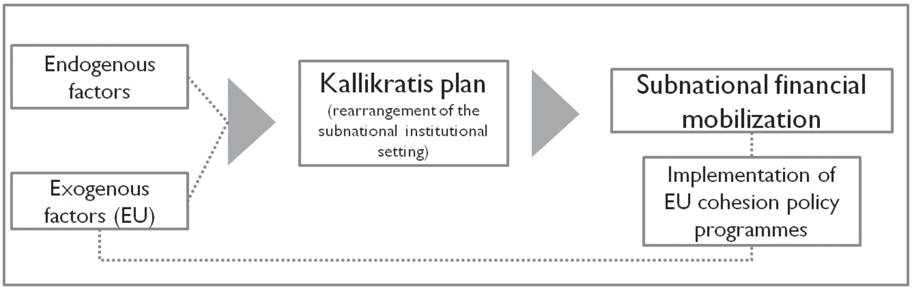
In general, the factors that have induced pressures for reforming the Greek architecture of governance and account for organizational changes in the subnational setting, can be broadly divided in two major categories: domestic (endogenous) and external (exogenous). Domestically, there have constant pressures for modernizing and streamlining the subnational authorities on the basis of increasing their organizational effectiveness and efficiency (i.e. regarding the implementation of co-financed projects by the EU see: Management and Organization Unit S.A., 2005) so as to better tackle with the implementation of territorial competencies. In line with the need for organizational improvements, subnational institutional actors have constantly backed centrally organized reform initiatives which aim at the improvement of their organizational capacity. For instance, the Central Association of Greek Municipalities (KEDE) represents an principal institutional actor that has favoured similar initiatives by facilitating extensive collaboration within its members and with the Ministry of Interior, on the basis of mutual agreements (memoranda) of institutional cooperation (also uphold by the "EETAA", the municipalities' central supporting development agency which functions under the legal form of sociétés anonymés). Similar initiatives have been in the forefront by the respective association of the Greek regions (mostly through the "PETA", which represents the second central agency –likewise in the form of sociétés anonymés – for supporting the development and cooperation of authorities at the territorial level). The overall objective of these efforts has been to improve the functional and organizational capacity of the Greek subnational authorities, thus allowing for the better delivery of local public policies. By the same token, subnational authorities have tried to support the efforts for improving their capacity to effectively cope with territorial policies by undertaking own initiatives and establishing numerous local development agencies (sociétés anonymés) which have mainly aimed at utilizing EU funding. However, these efforts had been rather unsuccessful and produced counter-effective results, since the vast majority of these agencies were found to run deficits for long periods of time; subsequently they were forced to stop their operation with the prominent "Kallikratis" reform initiative launched in 2010.

The second factor that accounts for adaptation pressures and transformation initiatives at the territorial level has been linked with the external environment of the subnational authorities, namely the EU (Loughlin, 2007). In fact, the EU has been a major external catalyst for change (see also: John, 2000). Through specific mechanisms for inducing change, such as through "framing domestic beliefs and expectations", and latently facilitating "change of domestic opportunity structures" (Knill and Lehmkuhl, 2002), the EU has systematically promoted decentralization efforts in conjunction with the concept of MLG. At first, the European Commission has been supportive of the involvement of subnational authorities in the European governance (Commission of the European Communities, 2001), as means for increasing the legitimization of the participation of unelected EU official bodies in certain EU policy processes, through the involvement of directly elected, at the national level, institutional actors other than the national governments.

In the same vein, the European Committee of the Regions (CoR) has systematically promote the role of the European regions and municipalities in the European policy arena (Committee of the Regions, 2009) according to the principles of the multi-level governance (MLG) approach (Hooghe, 1996; Hooghe and Marks, 2001; Piattoni, 2009) and the subsidiarity principle. In addition, the European institutions framed domestic expectations about the engagement of the subnational authorities in European affairs, something that is evident when examining the rhetoric of the domestic institutional actors, such as the central association of Greek municipalities and the respective association of the regions, which have thoroughly embedded similar proclamations made by the European Commission and the CoR in their argumentation.

Furthermore, the EU has facilitated "changing of the domestic opportunity structures". This is easily noticed when examining the introductory report of the "Kallikratis" reform plan, where the concept of MLG, the Treaty of Lisbon and the subsidiarity principle are found to be essential elements of the justification for promoting the administrative reform (Ministry of Interior, 2010). According to the MLG approach, governmental actors have, at least partly, seized to monopolize the decision-making process at the EU level; in addition, the European political arenas have become interconnected (Hooghe and Marks, 2001: 3-4), a feature that facilitates the development of subnational mobilization (Hooghe, 1995; Jeffery, 2000; Oikonomou, 2016; Tatham, 2010, 2016). The concept of mobilization has been further developed in two distinct types: financial and regulative mobilization (Callanan and Tatham, 2014). In particular, the focus in this contribution is the former type of subnational mobilization, namely the financial, which stands for a specific type of subnational activity and refers to the (in)direct involvement of subnational authorities in efforts for searching for financial resources so as to fund their projects and effectively deliver their policies at the territorial level. In the case of financial mobilization in the domestic political arena, the implementation of projects and the respective territorial policies is co-funded by the European cohesion policy. The above analytical framework is summarized and roughly sketched in figure 1.

Figure 1 *Conceptual framework.*



Source: own elaboration.

In this respect, endogenous and exogenous factors account for the formulation and implementation of the “Kallikratis” reform initiative. In essence, the plan has been a prominent administrative reform (at least in its conceptualization) aimed at rearranging the domestic architecture of governance, firstly by strengthening local authorities through extensive amalgamations and a reduction of their absolute number from 1,034 local bodies to 325, thus creating internal economies of scale. In addition, the reform attributed new responsibilities to subnational authorities (though, in most of the cases, without the respective financial resources due to the financial crisis) in various policy areas (i.e. environment, education, employment and social policy, urban and regional planning). Similarly, at the territorial level the “Kallikratis” plan established thirteen regional authorities as self-governed bodies, diminishing the institutional role of the decentralized state authorities in regional planning competences, and with regard to the implementation of developmental programmes as well. The overall objective of the reform was to increase the administrative/organizational capacity of the new self-governed bodies so as to deal in a more effective and efficient way with delivering territorial policies.

From a practical point of view, the improvement of administrative capacity was expected to entail better absorption of the European financial resources through the implementation of EU-funded structural programmes. Yet, what has been the actual impact of the reform for the regional and local institutions, in terms of improving their organizational capacity so as to take advantage of the European financial opportunities provided by the EU cohesion policy? In fact, the overall issue of the Greek subnational mobilization is deemed under-researched with the exception of only a few studies (i.e. see Oikonomou, 2016). With regard to the domestic financial mobilization of the Greek regions and municipalities, evidence has been presented but only for the Greek local authorities so far (Oikonomou, 2019). In view of the scarcity of studies, the following section presents quantitative data and findings of the financial mobilization of the Greek subnational institutions (regions and municipalities) with the aim to provide empirical (quantitative) ground for the implications of the "Kallikratis" plan in terms of the financial mobilization of the Greek sub-state authorities altogether.

3. Data and discussion

This part examines the domestic financial mobilization of the Greek regions and municipalities within the EU cohesion policy field. Methodologically, the financial mobilization of the Greek subnational authorities is treated as the variable contingent on the "Kallikratis" reform plan. The mobilization is presented by the capacity of subnational authorities to apply for and implement co-financed programmes of the National Strategic Reference Framework (2007-2013 NSRF; extended to 2015) and the Corporate Pact for Growth Framework (2014-2020 NSRF). The data provided for the two periods are based on the same configuration of municipalities (N=325) and regions (N=13) established by the "Kallikratis" plan, since 1 January 2011. Due to the fact that the implementation of EU projects is highly affected by administrative capacity (Milio, 2007: 439) it is argued that the "Kallikratis" reform has positively contributed to the capacity of the subnational authorities to absorb funds, and allowed for the increase of their financial mobilization in terms of implementing EU cohesion programmes.

The data have been collected from the NSRF database (anaptyxi.gov.gr). The implemented (and still under implementation for the 2014-20 period) projects that have been taken into account are only those that regions and municipalities are the final beneficiaries, excluding the projects that they have been implemented by agencies under their supervision (sociétés anonymés). In addition, all projects refer to the year of their approval. The data for the mobilization of local authorities during the 2007-2013 NSRF period are based on the analysis found elsewhere (Oikonomou, 2019), whereas for the analysis of the 2014-2020 NSRF period and for the regional financial mobilization of the 2007-2013 period, the data have been elaborated and originally presented in this contribution. It should be emphasized that budget figures expressed in constant prices (2009=100) are only those of local authorities and for the 2007-2013 programming period only (Oikonomou, 2019), whereas all the other budget figures found in this chapter are expressed in current prices; hence, any cross-comparison by using absolute numbers should be treated with cautiousness, yet relative numbers can provide a fruitful comparative view regarding the local and regional performance (cross-level analysis) of the financial mobilization across the two successive programming periods (cross-time analysis).

3.1. Subnational mobilization in the 2007-2013 programming period

At first, table 1 presents an overview of the 2007-2013 NSRF. According to the data, 10,479 projects have been implemented with an overall budget accounting for 15,1 billion euro in total. Most of the projects have been officially approved in 2010, and over 50% of them have been approved after 2010. Table 2 summarizes the overall subnational mobilization in the 2007-2013 programming period. Interestingly, a quarter of the projects (2,618) have been implemented by local authorities, showing the significant role of the municipalities in the policy field. On the contrary, approximately 8% (7,9%) of the projects have been implemented by regional authorities, however, in budget figures, regional authorities' financial mobilization equals that of local entities as a percentage of the total NSRF budget, denoting that the average amount of funds per regional project is significantly higher in comparison with the respective budget number of the local projects. In addition, almost 30% (29.5%) of the total budget of the NSRF programme has been allocated within subnational authorities, implying their critical role in the implementation phase of the EU cohesion policy and the respective absorption of the EU funding.

Furthermore, in the case of local authorities, interestingly the vast majority of their projects (1,845 projects out of 2,618; approximately 70.5% of the total local projects) have been approved and implemented after the launching of the "Kallikratis" reform plan (years: 2011-15) signifying a higher degree of financial mobilization after the reform (in particular for the smaller in population municipalities; see figure 4 and Oikonomou, 2019) and implying the positive impact of the reform in terms of financial mobilization for the local institutions.

On the contrary, most of the regional projects (520 projects out of 826; approximately 63% of the total regional projects) approved before the full-scale development of the "Kallikratis" plan (years: 2007-10) signifying that the regional authorities had been proactive players by having "locked-in" their presence in terms of having submitted project proposal and succeeded in getting approval of their implementation before the official launching of the Kallikratis" reform. In turn, the financial mobilization of the regions did not significantly change after the reform. Their proactive attitude in the policy field may, partially, be attributed to their –potentially– easier access, vis-à-vis the municipalities, to the policy-making process, in particular of the regional operational programmes, since they could –as state decentralized bodies– influence to some extend the allocation of funding (Andreou, 2010: 18). In addition, it can be supposed that they mobilized proactively so as to capitalize on their institutional position and take advantage of available structural funding before the implementation of the "Kallikratis" reform which was aimed to alter their status from state decentralized bodies to self-governed authorities producing unknown effects. However, their supposed easier access did not correspond with their overall institutional role: it should be stressed that the policy-making process of the EU cohesion policy in Greece was (at least at that time) heavily administered centrally, by the Ministry of Economy and Finance (as it was named) which played an overall "gate-keeping role" (Andreou, 2010: 18). Thus, (state) regions were considered to be weaker when compared to the ministries (Andreou, 2010: 19). In any case, the issue of the regions' higher financial mobilization before the implementation of the "Kallikratis" reform constitutes a research challenge that should be further and thoroughly examined in all its (hidden and revealed) aspects.

Likewise, the "reverse" picture regarding the "asynchronous" mobilization that regions and municipalities developed within the 2007-2013 programming period pertains also for the budgetary figures with regard to the financial mobilization of all the subnational authorities. Thus, 66.4% of the total budget for regional projects accounts for proposals approved in 2007-2010 period, whereas the respective budgetary figure for local projects lags behind reaching 38.5% of the total funding for local programmes.

Respectively, figures 2 and 3 present the implementation of the projects by subnational institutions according to the year of the official approval of the project, showing the "proactive" attitude of the regional authorities and the positive (reactive) impact of the "Kallikratis" reform on local authorities; the latter respond positively after the reform and administer the majority of the co-funded local projects from 2011 onwards.

Table 1 *Overview of the 2007-2013 NSRF.*

	2007-2013 NSRF	
Year	Projects	Budget
2007	6	90,223,503.00
2008	67	181,796,687.00
2009	1,058	3,338,317,900.00
2010	3,507	3,304,272,637.00
2011	2,061	2,535,661,921.00
2012	2,091	2,078,849,992.00
2013	882	2,349,371,387.00
2014	189	351,481,807.00
2015	618	869,000,734.00
Total	**10,479**	**15,098,976,568.00**

Source: own elaboration.

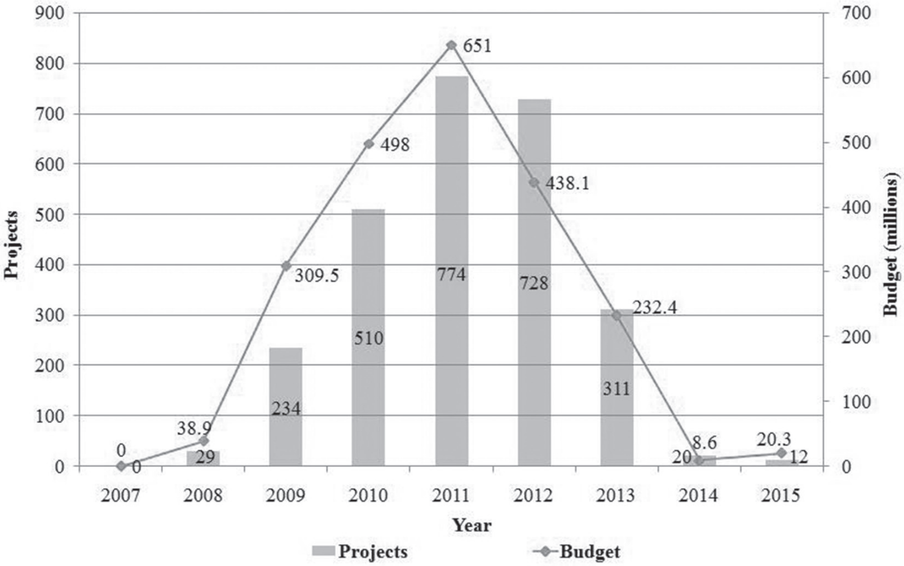
Table 2 *Subnational mobilization in the 2007-2013 programming period.*

	Localgovernment				Regionalgovernment			
Year	Projects	% of NSRF	Budget*	% of NSRF	Projects	% of NSRF	Budget**	% of NSRF
2007	0	-	0,00	-	1	16.7%	5,832,618.00	6.5%
2008	29	43.3%	38,925,403.00	21.4%	22	32.8%	84,500,585.00	46.5%
2009	234	22.1%	309,475,050.00	9.3%	289	27.3%	793,597,223.00	23.8%
2010	510	14.5%	497,979,568.00	15.1%	208	5.9%	610,480,928.00	18.5%
2011	774	37.6%	650,991,000.00	25.7%	111	5.4%	311,763,32500	12.3%
2012	728	34.8%	438,145,426.00	21.1%	112	5.4%	314,423,139.00	15.1%
2013	311	35.3%	232,405,356.00	9.9%	66	7.5%	123,240,826.00	5.2%
2014	20	10.6%	8,571,180.00	2.4%	16	8.5%	4,471,103.00	1.3%
2015	12	1.9%	20,305,922.00	2.3%	1	0.2%	921,432.00	0.1%
	2,618	25.0%	**2,196,798,905.00**	14.5%	**826**	7.9%	**2,249,231,179.00**	14.9%

Source: Oikonomou (2019) and own elaboration.

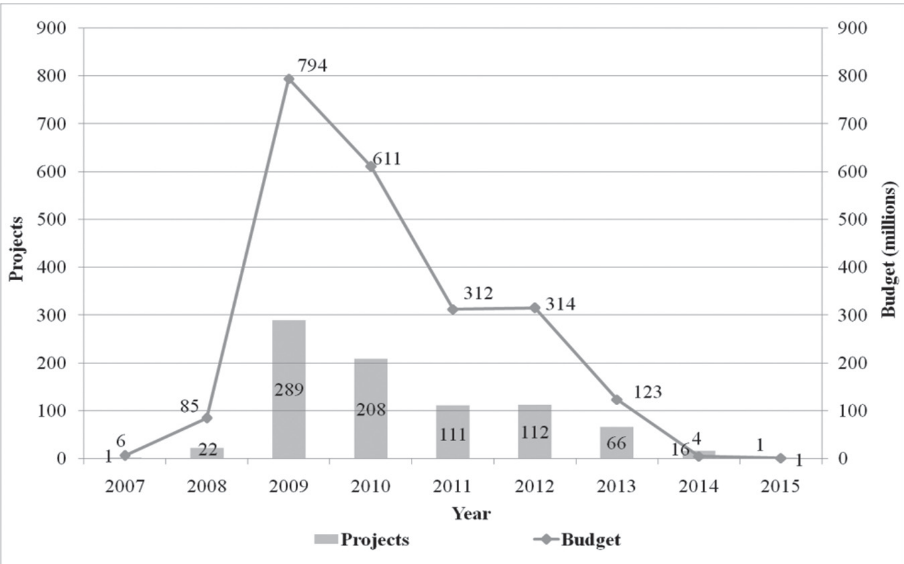
*Constant prices (2009=100);
**Current prices.

Figure 2 *Financial mobilization of the local authorities.*



Source: Oikonomou (2019).

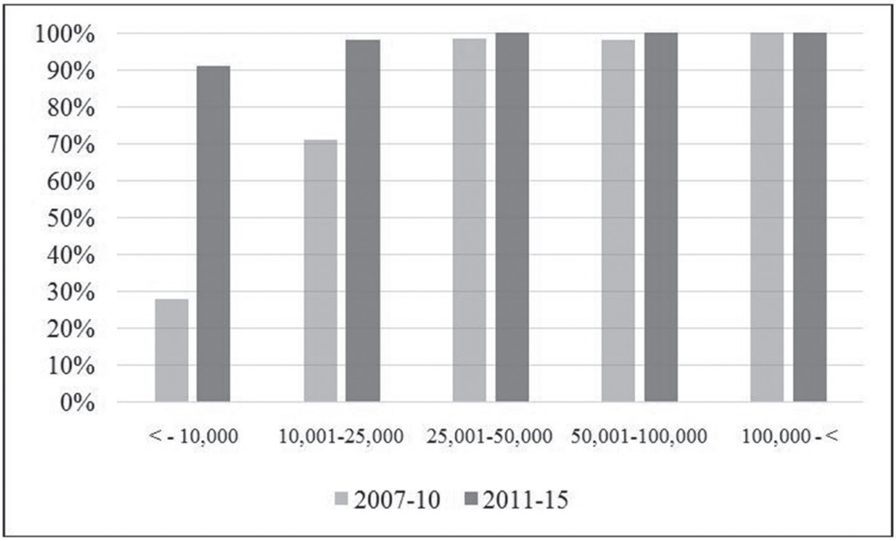
Figure 3 *Financial mobilization of the regional authorities.*



Source: own elaboration.

The positive impact of the "Kallikratis" reform, in particular for the smaller in population municipalities, is explicitly implied by the higher degree of their financial mobilization, which is evident after the implementation of the reform. As shown in figure 4, the very small –in population size– municipalities (with less than 10,000 people) that implemented at least one EU co-funded programme as coordinators, tripled their performance in the post-reform era (after 2011), in sharp contrast to the financial mobilization they showed in the pre-reform period.

Figure 4 *Mobilization within 5 different categories of local authorities (based on their population).*



Source: Oikonomou (2019:10).

Data in table 3 present the financial mobilization of the Greek regions in the 2007-2013 programming period in terms of the implemented projects and the respective budget. Evidently, the three biggest –in population– regions (Attica, Central Macedonia, Thessaly) performed better in comparison to all the other regions, and achieved double digits in terms of the budgetary component of their financial mobilization considering the total amount of the budget for regional projects. This element provides evidence of the correlation between the size of the population of the regions and the budget of the regional projects in total. In this line of thought is also found the fact that the smaller in population regions lag behind the bigger ones, both in mobilization (implemented projects) and in budget (i.e. South Aegean, Ionian Islands, Epirus).

Table 3 *Regional mobilization in the 2007-2013 programming period.*

	Region	Projects	Budget
1	Thessaly	13.6%	15.5%
2	EasternMacedonia&Thrace	11.5%	7.2%
3	CentralMacedonia	10.7%	15.5%
4	Crete	9.7%	8.2%
5	Attica	9.0%	15.7%
6	WesternMacedonia	8.1%	5.9%
7	StereaEllada	7.8%	5.6%
8	Epirus	6.4%	2.5%
9	IonianIslands	5.1%	3.5%
10	Peloponesse	5.1%	6.9%
11	WesternGreece	5.1%	6.9%
12	NorthAegean	5.0%	4.5%
13	SouthAegean	3.0%	2.1%

Source: own elaboration.

3.2. Subnational mobilization in the 2014-2020 programming period

Finally, considering the programming period 2014-2020, table 4 summarizes some preliminary findings with regard to the financial mobilization of the local and regional authorities. Overall, from a total sum of 33.792 projects that were found to have been implemented or are still in the implementation phase of the 2014-2020 NSRF, only 6.5% have been undertaken by subnational authorities; this figure is significantly lower when compared with the 32.9% of the projects implemented by the subnational authorities as coordinators during the previous programming period (2007-2013). The implication is that there is an expectation of a possible decrease of the absolute number of projects in total; in other words, a relatively lower financial mobilization of the subnational authorities in the 2014-2020 period. However, in terms of the budget figures, though in current prices, they provide evidence that the overall subnational mobilization will not significantly differ from the previous programming period (2007-2013) in absolute numbers; yet, in relative numbers the results may substantially differ as the total amount of budget for the 2014-2020 NSRF reaches 26.6 billion euro, and subnational authorities have undertaken projects that account for approximately 16% (15.8%) of the total 2014-2020 NSRF budget so far, thus lagging significantly behind their financial mobilization performance in the 2007-2013 period (which accounted for almost 30% of the total NSRF budget).

With regard to the distribution of projects and the respective budgetary figures across time, in the case of local authorities the numbers seem to gradually increase over time with the exception of the first two years (2014-2015); at the regional level, the mobilization trend is rather unclear over time. Lastly, since the data for the 2020 are preliminary and the programming period has not finished yet, the rise of the subnational mobilization (both for regions and municipalities) for the remaining period of time should not be excluded as a working hypothesis, though, when compared with the previous programming period, the results reveal the exact opposite performance of the subnational authorities.

Table 4 *Subnational mobilization in the 2014-2020 programming period.*

	Localgovernment		Regionalgovernment	
Year	Projects	Budget	Projects	Budget
2014	92	358,914,207.00	49	580,841,085.00
2015	54	108,247,419.00	82	106,447,294.00
2016	105	155,616,439.00	67	211,628,549.00
2017	364	253,114,014.00	34	105,111,288.00
2018	400	506,074,166.00	25	202,916,900.00
2019	587	673,388,609.00	18	449,755,805.00
2020*	245*	334,466,476.00*	61*	156,772,609.00*
Total*	**1.847***	**2,389,821,330.00***	**336***	**1,813,473,530.00***

Source: own elaboration (current prices).

* Data up to 1.3.2020.

4. Conclusions

Along with the endogenous factors that facilitate domestic administrative reforms, the EU has been an highly exogenous influential factor and a catalyst for change by stimulating (sub)national interest and legitimizing political discourse related with the need for advancing reforms in the Greek subnational level. The "Kallikratis" reform plan which was launched in 2011, essentially aimed at improving institutional and administrative capacity of the subnational authorities, and altering the domestic architecture of governance altogether. The reform has been highly framed by the Treaty of Lisbon, the MLG postulates and the subsidiarity principle, providing evidence of the external influence that the EU posed on the domestic polity. In addition, the enticing financial motives provided by the EU cohesion policy, have functioned as an extra incentive for rearranging the Greek subnational setting so as to better utilize the EU funds.

In practice, one way of empirically assessing the impact of the "Kallikratis" plan on subnational institutions, is by focusing on the domestic financial mobilization of the regions and municipalities that have actively pursued before and after the launching of the reform. The EU cohesion policy offers a first-hand opportunity for testing the financial mobilization of the Greek sub-state actors, allowing for the measuring of the performance of the regions and municipalities in utilizing EU financial resources in two consecutive programming periods (2007-2013 and 2014-2020).

According to the results, during the 2007-2013 programming period there has been an asynchronous response within the subnational institutions in terms of their financial mobilization: regions have proactively responded by undertaking as coordinators the majority of the EU co-funded projects before the official launching of the reform in 2011. In addition, the population of the region and the respective mobilization performance seem to positively correlate, since the bigger in population regions show the higher financial mobilization rates.

In sharp contrast, municipalities show an overall reactive response towards the "Kallikratis" reform within the 2007-2013 period, since they undertake and implement the majority of their EU cohesion programmes after the launching of the "Kallikratis" plan providing evidence of the rather positive impact of the reform on their financial mobilization. In addition, the smaller –in population– authorities, according to previous studies, have been mostly benefited from the 2011 reform in comparison to the bigger

–in population– municipalities, since they seem to be the only actors found to have tripled their financial mobilization after 2011, thus providing evidence of the asymmetrical impact of the reform on the local authorities.

Finally, with regard to the 2014-2020 programming period, the preliminary results show a decrease of the overall subnational mobilization, when considering the total number of projects and the amount of budget of the 2014-2020 NSRF; however, the subnational performance may alter to some extend in the remaining period. Further research on the underlying reasons that could provide plausible explanation about the asynchronous response of the regional and local authorities in terms of their financial mobilization, in particular the proactive response of the regions during the 2007-2013 programming period, is argued that can fruitfully contribute in more nuanced approaches of the impact of the "Kallikratis" administrative reform on the Greek subnational authorities.

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ARTIFICIAL NEURAL NETWORK MODELS MAY IMPROVE THE IMPACT OF EU FUNDS (CASE STUDY: USING ANN TO ESTIMATE NPV OF PROJECTS)

Theofanis Papadopoulos

European Union during current and previous programme periods has financed thousands of projects in an effort to implement its Policy and help Member States. However, scarce resources make the decision of which projects should be implemented and which should not quite difficult. A Cost Benefit Analysis (CBA) is a tool that can help decision makers (European Union, 2008). It is based on a set of predetermined objectives giving monetary value to all positive and negative welfare effects. The project is measured by indicators such as the Economic Net Present Value and the Economic Rate of Return, allowing for comparability and ranking for competitive projects or their alternatives.

Unfortunately, it is difficult for Member States to develop a reliable framework for such evaluation. Many economic, financial and social indicators may simultaneously affect the NPV of a project which makes its calculation difficult, resulting to lower impact of EU funds. In recent decades, artificial neural network model has helped researchers to foresee the outcome of time series data in many fields of science (Hüseyin, 2017). This model is presumed as a computer-based stimulation of human neural system which is capable to benchmark values (Lubecke et al., 1998). In the case of projects, the artificial neural network can be a useful tool to predict economic evaluation indicators of projects for the benefit of the community and may provide a roadmap for managing projects and therefore achieve high welfare to the community and its citizens.

Cost Benefit Analysis is an analytical tool to be used to make funding decisions considering any welfare changes that a project may bring to the community and, therefore, the contribution to EU policy objectives it may have. The purpose of Cost Benefit Analysis is to achieve better allocation of resources taking into consideration any other alternative. Its concept is to identify the potential gain of every alternative and force decision makers to choose the project with the highest gains. In order to make such calculations, every financial indicator should be taken into account. Some predetermined objectives should be measured, as well, giving monetary values to any welfare effect (positive or negative) that the intervention may bring.

In more detail the Financial Analysis consists of the calculation of the Financial Net Present Value (FNPV) which is the present value of the sum of revenues and expenses of a project given a discount rate and the Financial Rate of Return (FRR) which is the calculation of the proper discount rate in order to have zero FNPV (Allen et all, 2016).

$$FNPV = \sum_{t=0}^{n} \frac{S_t}{(1+i)^t}, \qquad 0 = \sum_{t=0}^{n} \frac{S_t}{(1+FRR)^t}$$

If $FNPV > 0$ the project is not in need to receive EU financial support because its revenues are higher than costs, but if $FNPV \leq 0$ then the project requires financial Support because costs are higher or equal than revenues. In this case the decision maker has to decide, among alternatives, which project should receive the funding and which should not. In order to assist decision makers with this decision a deeper Economic Analysis of the project should be made. It consists of the calculation of opportunity costs, externalities (Baye et all, 2013) given a monetary value, indirect effects etc. The Economic Net Present Value (ENPV) which is the present value of the sum of monetary value of externalities, indirect effects etc of a project given a discount rate is the distribution of the above-mentioned performance indicators. The Economic Rate of Return (ERR) is the calculation of the proper discount rate in order to have zero ENPV.

$$ENPV = \sum_{t=0}^{n} \frac{S_t}{(1+i)^t} \quad , \qquad 0 = \sum_{t=0}^{n} \frac{S_t}{(1+ERR)^t}$$

If $ENPV > 0$, then the positive welfare effects of externalities and indirect effects are more than the negative ones which means that the society is better off with the project, so decision makers should consider its financial support, but if $FNPV \leq 0$ negative effects are more than positive ones, so the project should not receive funding.

Both FNPV and ENPV are used widely from decision makers to measure the feasibility of projects. This analysis has to use uncertain information and be aware of the cost-risk factors that can influence the analysis. Unfortunately, it is difficult to develop a reliable framework for such evaluation. Many economic, financial and social indicators may simultaneously affect the FNPV or the ENPV of a project which makes its calculation difficult, resulting to lower impact of EU funds.

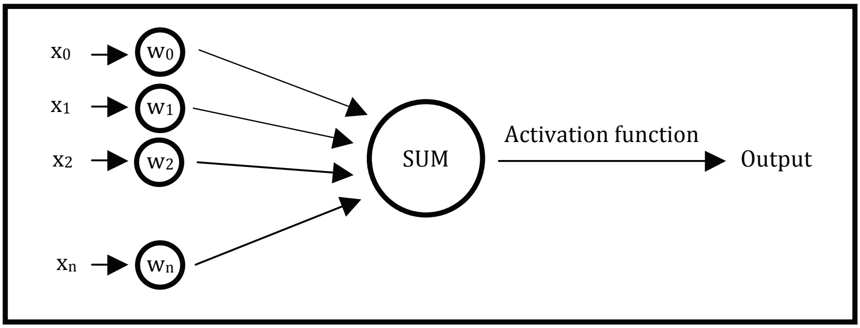
The same issue appears when it comes to audit a completed project. Since public administration needs to discover any potential misstatement to its entities, it is crucial to be able to perform tests to evaluate their structure as well as their operations. Audit tests targeting to evaluate the nature, timing and extent of audit tests can be an effective tool to reduce audit risk (J.T. Davis et al., 1997). In order to asses the internal control infrastructure there are many variables and indicators to be considered with many inter-relations between them. This means that these audit tests are mainly based on knowledge gained through auditor's experience (Deng, 1994) mainly by recognizing patterns (Anderson, 1983).

Given these characteristics of the calculation of FNPV and ENPV as well as regarding the audit tests and the complexity of the indicators that should be considered, a powerful branch of artificial intelligence can be utilized in order to discover and understand patterns (Haykin, 2008).

The concept of simulating a thinking machine was initially proposed by Alan Turing in 1950, who proposed that if a computer-human interaction seems like human-human interaction then we should consider the computer in question to be intelligent. Generally, Artificial Intelligence Systems act like humans, meaning that they need to access and use knowledge in order to solve problems by applying conditions, logic, hunches and intuition in order to make a decision (Carling, 1992).

Neural network methods are inspired by biology with analogous components to the axons, dendrites and synapses of living organisms. While in Biological Neural Networks dendrites collect signals and send a signal through an axon which in turn connects it with neurons which are either excited of inhibited as a result, in Artificial Neural Networks input data are sent to a processing entity (like neuron) which sends output signals to other entities (Garson, 1998). Such signals mainly follow the form of an "if-then" rule where Neural Networks analyze large number of variables identifying inter-actions and patterns (Chen, 1996) discovering rules and learning. Compared to other statistical models, Artificial Neural Networks are better to implement assumptions based on independent data than any other statistical technique (Lacher et al., 1995).

These models consist of an input layer of neurons that sends signals to a hidden middle layer. The hidden layer of neurons computes weights and sends them to the output layer which aggregates data and generates the final output (Garson, 1998). These models learn how to predict outcomes through examples. The procedure contains data to be fed and then processed within the layers. A widely used training model that can be used in the case of audit tests is backpropagation model, which identifies relationships between variables (inputs) and auditors control risk assessment (output) (Davis J.T. et al., 1997). Its algorithm drives the model to a learning procedure using trials and errors to understand which the correct answers may be (Yu et al., 1995). It consists of two propagations: The forward pass, meaning the data imported to the input layer and the backward pass, meaning the feedback received and network response through error-correction knowledge (Ramamoorti et al., 1999).



The perception of the Neural Network model is that given *n* variables (input) the model calculates one output value multiplyinginput values with their weights (Kirkos E. et all, 2007) which represent the strength of a particular node.In this simple case, this sum is fed to the activation function which finally produces output. The main purpose of the activation function is to convert an input signal andto decide whether a neuron should be activated or not given the weighted sum.

$$S = \sum_{i=0}^{n} w_i x_i$$

While Neural Network Model calculates outputs, the algorithm learns through this process changing weights to fit better to the desired outcome. This procedure represents the learning process (Mavaahebi M. et al, 2013) of the model. If we know that the output should have the value *t* (target) but the algorithm calculates as output the value *o* (output) we can compare both values and then decide if the weights should somehow change. If $t = 0$ the weight seems fine and no change should be made. If $t \neq 0$ then the algorithm calculates new weights:

$$\Delta_i = \eta \delta x_i$$

Where η represents the learning rate and $\delta = t - 0$

$$w_i(n + 1) = w_i(n) + \Delta_i$$

Where $w_i(n + 1)$represents the i-st weight value after correction at step n+1, $w_i(n)$ represents the i-st weight before correction at step n.

To conclude, artificial neural network model has helped researchers to foresee the outcome of time series data in many fields of science. This model is presumed as a computer-based stimulation of human neural system which is capable to benchmark values. In the case of projects, the artificial neural network can be a useful tool to predict indicators (used to calculate FNPV or ENPV) of projects for the benefit of the community and may provide a roadmap for decision makers and therefore achieve high welfare to the community and its citizens. In order to develop and maintain a Neural Network based Control Risk Assessment methodology it is important at first to identify structured logic and questions and then find similar data that will train the Neural Network from past experience. The back propagation model employs feed forward functions among a large variety of data examples driving to knowledge (Hornick et al., 1989), it identifies relationships, identifies errors and finally provides a possible outcome. From decision makers perspective the Neural Network approach is very helpful even it is difficult to implement it in real cases. Potentially this method can provide significant benefits to Managing and/or Audit Authorities and increase productivity (Borthick and West, 1987).

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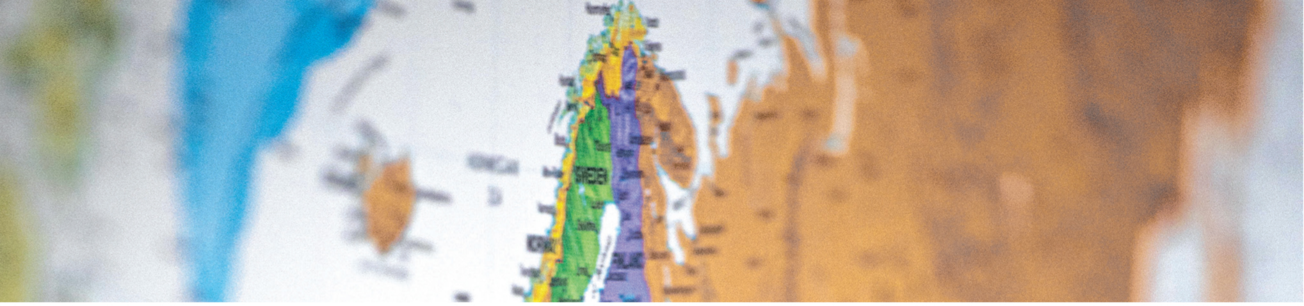

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