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# THE IMPACT OF EUROPEANISATION ON INSTITUTION-BUILDING: EUROPEAN REGIONAL POLICY IMPLEMENTATION IN GREECE

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The paper points out the role of European integration in promoting the institutional changes in Greece, in the last two decades. As mediating mechanisms between supranational and national governance structures and, consequently, as an important variable in the study of the multi-level system of governance in European public policy, the domestic institutions are becoming main actors in the Europeanisation process. Considering the European Regional Policy as a rich laboratory for examining the impact of EU implementation arrangements on institutional framework, the argumentation aims to emphasise the relevance of the structural modernization of the Greek institutions in implementing the reforms of regional policy.

Political and institutional traditionalism and centralism are deeply rooted in the Greek political development, Greek culture and the structure of the Greek political system, dating back to the establishment of the Modern Greek state in the 1830s. One of the striking features of the state morphology at the time of Greece's accession was the gigantic size of the state apparatus and the over-centralised nature of the state and political system in general. The state occupied a hegemonic position in practically every aspect of Greek society. Greek social formation in that particular period consisted in: the existence of an inefficient bureaucracy, the prevalence of state intervention at all levels of economic and societal life and the mediation of this intervention through non-transparent and clientelistic political relationships.

In this context modernisation determined by the European integration emerged as a possible solution for fighting over-centralism and inefficiency. Despite this, success depended on the rather limited capacity of change manifested and promoted among the Greek political and social actors.

## EUROPEANISATION AND INSTITUTIONAL CHANGE

‘Europeanisation’ is used here to describe the ‘emergence and the development of distinct structures of governance, that is, of political, legal and social institutions associated with political problem-solving that formalises interactions among the actors and of policy networks specialising in the creation of authoritative rules’.<sup>1</sup> It is the independent variable that impacts upon domestic processes, policies, polities and institutions.

In theoretical terms, the issues of concern are the ways and the extent to which the supranational level and its institutions have affected the institutional reform in Greece and the impact on efficiency of the integrated institutional framework. The topics of institutional evolution and allocative and adaptative efficiency within the emerging institutional framework are in this way readdressed. Europeanisation can be seen as intrinsic to the process leading towards closer integration and used to refer to ‘the impact of EU-led changes upon at least two distinct aspects of Member States’ activities—policy and machinery’.<sup>2</sup> Europeanisation, however, is not necessarily a one-way causality but rather an ‘iterative and interactive’ process, which involves what Blumer and Burch call ‘reception’, that is, national institutional adaptation, but also ‘projection’, that is the ability to participate in integration so as best to be able to ‘project’ national governmental concerns into the EU decision-making process.<sup>3</sup> Nevertheless, the extent to which member states project their national concern and receive direction and/or pressure for national institutional adaptation depends on the specific policy area. Reception will be the strongest in specific policy areas where competencies have been transferred to a significant extent to Brussels, such as agriculture, trade and European regional policy and where the supranational institutions and the Commission in particular,<sup>4</sup> are heavily involved, *de jure* and/or *de facto*, in the policy process. The extent of reception also depends on the stage of the policy cycle: the supranational level may—under the principle of subsidiarity, for example—have a significant input in determining the goals of policy but not in

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<sup>1</sup> Risse, T., Cowles, M.G. Caporaso (2000:2).

<sup>2</sup> Bulmer, S., Burch, M. (1998:602).

<sup>3</sup> Bulmer, S., Burch, M. (2000).

<sup>4</sup> As Edwards and Spence point out the Commission’s main roles may be summed up under five main headings: the initiative role (initiating legislation), the administrative role (in areas such as agriculture, which have been delegated to the Commission by the member states), a normative role, both as guardian of the Treaties and the *acquis communautaire*, a mediative role between the institutions and the member states, representative role—diplomatic representation in third countries. See Edwards, G., Spence, D. (eds.) (1994: 4).

implementing it. In other words, the balance between ‘reception’ and ‘projection’ will depend on policy area, the competencies and specific institutions involved in, and the stage of policy process. Moreover, reception will be dominant if the ability of a member state to influence the course of events at European level is limited. This is also the case of Greece, where Europeanisation tends to be portrayed as ‘modernisation’ or ‘catch-up’.<sup>5</sup>

### **DOMESTIC POLITICS, POWER DISTRIBUTION AND INEFFICIENCY**

The Greek government faced serious problems in dealing with regional policy. Firstly, the ‘gatekeeper’ i.e. the Ministry of National Economy, which was responsible for the preparation of the Regional Development Plan and the central co-ordination of the Community Support Framework, lacked the human resources and the appropriate horizontal units to produce detailed proposals (there was only one directorate and a staff of 30 people responsible for the job). The allocation of competences was also limited: firstly, decision-making was kept closely within the political offices residing at the top of the administration, secondly, the input of sub-national actors, which lacked the knowledge necessary to perform the tasks of regional policy’s implementation, was of a limited scope. The lack of appropriate services at the regional level meant that the regional councils—headed by centrally appointed Regional Secretaries—discussed proposals arising from the more established prefecture level (*nomos*).

Only a handful of these proposals were found to be compatible with the ‘overall development strategy’—if such strategy existed—and was included in the final Regional Development Plan.<sup>6</sup> Besides, the Regional Development Plan was submitted under the political leadership of the Pan-Hellenic Socialist Movement government, in March 1989, but it took one year for Community Support Framework 1989-1993 to be adopted. This was largely because of the political turmoil in Greece at the time. Between the time of submission of the Regional Development Plan and the adoption of the Community Support Framework, in March 1990, two national elections took place, but no majority government could be formed. These developments would not have been very important if the Greek administration had been competent and ‘autonomous’ or free from political and societal pressures.

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<sup>5</sup> Pagoulatos, G. (2000).

<sup>6</sup> Ioakimidis, P.C. (2001:355).

Similar was the state of affairs for the second Community Support Framework, 1994-1999. The Regional Development Plan was submitted hurriedly on September 10, 1993, by the New Democracy government in view of the national elections of October 1993, which were held early due to an internal conflict within the governing party. New Democracy lost the elections to the Pan-Hellenic Socialist Movement and there can be little doubt that European funding had played its role. Following the loss of the elections by New Democracy, the new Pan-Hellenic Socialist Movement government submitted a proposal on December 17, 1993 to modify the initial Regional Development Plan. A new version of the Regional Development Plan was finally resubmitted to the Commission in March 1994, but only with minor alterations. This may seem surprising given the political significance of managing European funds. One would have expected the new government to submit a new Regional Development Plan to suit its own distribution of funds to the various national and sub-national authorities. However, due to time constraints, the national authorities chose to go along with the Plan submitted by the previous government in the expectation that the contract would be changed in due course.

In the early 1990s, the implementation of regional policy was left almost entirely to the devices of the Greek system of programme implementation where and when that existed. This meant, however, that funds were fuelling the existing institutional framework, which was filled with 'black holes': the 'anarchic' nature of the state machinery meant that the division of responsibility was difficult, while the levels of accountability and transparency were very low. High absorption rates of the cohesion funds were sought through the inclusion of a larger number of projects than effective implementation would have allowed. For the European Commission, however, institutional malpractice was a far more important issue than the rates of absorption because it resulted in the inefficient allocation and use of resources. A large number of projects resulted from an effort to distribute funds so as to satisfy as many centres of power as possible within the central and the sub-national authorities. Ensuring that the funds were being used for the purposes for which they were intended in the first place, and assuring the quality of the actions, remained the overriding point of friction between national, regional and Commission authorities.

It is likely that little would have changed in Greece had the Commission not intervened to alter the institutional arrangements regarding the implementation of

regional policy. The reasons for this can be explained in terms of the path-dependent nature of institutional failure. Once the Greek state had reached a point where its structures were found to be the cause of the inefficient use of European funds, the process of institutional reform had to be undertaken externally. The centres of decision-making that could have initiated this process domestically were unable to do so; they were caught up in the vicious circle of institutional failure. The process of reform initiated by the Commission began, in essence, on the eve of the first Community Support Framework. The Commission's officials tried to change the Greek administration but it proved 'semi-catastrophic' and they had to create a new and separate administrative structure to deal particularly with European Union projects. It was helped by several factors in the first half of the 1990s. First, there was the continuation and strengthening of, the 1988 Reform of Structural Funds through the 1993 Regulation amendments.<sup>7</sup> Secondly, the experience and results of the first Community Support Framework had exposed clearly the shortcomings of the domestic institutional framework pertaining to regional policy. Thirdly, the new programming period (1994-1999) gave the Commission the opportunity to include its much more soundly based proposals in the Community Support Framework as binding commitments. Fourthly, the possibility of implementing the reforms by the mid-1990s was helped by the fact that the political will to comply with the demands, which came directly—or indirectly through the Ministry of National Economy—from Brussels was at times in unison.

### **ORGANISING THE MANAGEMENT OF REGIONAL POLICY: REFORM AND INNOVATION?**

The path chosen by the Commission for improving the institutional framework was to push for the creation of structures for regional policy implementation process as independent as possible of the state-controlled sector, or at least structures endowed, as far as possible, with clear procedures and a high quality of human capital. In order to ensure the successful implementation of Community Support Framework 1994-1999, a special Management Organization Unit for the Community Support Framework was set up under the instructions and control of the Ministry of National Economy but which was independent from the administrative structure

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<sup>7</sup> Council Regulation 2081/1993, amending Council Regulation 2052/1988; Council Regulation 2082/1993 amending Council Regulation 4253/1988.

of the ministry. The path towards the creation of Management Organization Unit was a tortuous one with the Commission constantly pressuring the national authorities. The law establishing the Management Organization Unit of the second Community Support Framework was finally passed by the Parliament, in December 1995.<sup>8</sup> On the day the vote was to take place, there was a strike at the Ministry of National Economy and the banners protesting against the law were hanging over its entrance. The bureaucratic establishment saw the creation of the new body as a threat to its powers of decision-making and its role in the implementation of the policy and was opposed to the concept of an independent structure over which it did not have any control; a structure, however, with clearly defined aims, flexibility and integrity. It took another two years for the company to come into full operation, after many difficulties, 'storms', hurdles, which spring from the culture and institutions of the Greek society.

The Management Organization Unit is a state-owned enterprise operating under private law with a Managing Director and a Board of Directors. The main role of the Management Organization Unit was stated as 'the establishment of a 'rationalistic' spirit in programming, implementation and monitoring of development projects'.<sup>9</sup> By mid-1998, the Management Organization Unit had formed ten teams. Six had effectively taken over the monitoring of the Regional Operational Programmes and the other four had been attached to National Operational Programmes. The Management Organization Unit had to be invited by the relevant authorities to support their programmes. Invitations largely depended on the personal judgement of an Operational Programme's political principal, which was generally biased against the employment of the organization since it was perceived as a threat to his/her decision-making powers. Thus, invitations to the Management Organization Unit, from the ministries in particular, were the exception rather than the rule. The regional authorities were not always keen to accept the services of Management Organization Unit either. Some regions were forced by the Ministry of National Economy to accept them and it was decided that before the end of second Community Support Framework and certainly for the third Community Support Framework 2000-2006, the Management Organization Unit would be monitoring all the Regional Operational Programmes.

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<sup>8</sup> The original time schedule as presented by the Greek authorities to the Commission envisaged the voting of the law setting up MOU for August 31, 1995 and the operation of the first teams by October 31, 1995. Law 2372/1996 was voted on 13/12/1995 and took effect on 28/02/1996.

<sup>9</sup> See the website of the company at [www.mou.gr](http://www.mou.gr).

It is noteworthy that the Commission was involved even in the selection of the Managing Director of the Management Organization Unit. Such environment arguably infringed upon the principle of subsidiarity. It was accepted by the national authorities in the case of the Management Organization Unit after the Commission put considerable pressure on them during the negotiations preceding the set-up of the Management Organization Unit. In general, the main means through which the Commission persuaded the national authorities of the need of transparency and precision was the use of its veto powers over the financial allocation of resources. In other cases, when then Commission did not pay attention to such 'details' in the setting up of the mechanisms, 'the carcinogenic system' appeared to erode the reforms almost immediately. Due to the apprehension of the political leadership of the Ministry of National Economy itself, the delays in establishing the Management Organization Unit were not so much related to the organization itself, but mainly to the efforts the Ministry of National Economy made to avoid political friction and the political cost that would have been incurred by getting into open conflict with the syndicated interests of the administration, among others.

One of the main dilemmas facing the Commission with regard to the implementation of the Regional Operational Programmes was one concerning the increased involvement of the regional actors in the implementation process at the potential cost of hurting the effectiveness of such a progress. Ideally, the involvement of these actors would increase implementation effectiveness but the problem was that the Greek sub-national level remained atrophic and was unable to perform the basic tasks arising during the implementation of European regional policy, despite the continuous calls for decentralization within the country. Although the regionalisation process in Greece was not an overriding goal for the Commission, it nevertheless pushed for the process and was willing to pay a certain price to maintain its momentum. Implementation Committees, proposed by the Commission at regional level, met less resistance than at the centre. The regional authorities, instead of complaining about the intervention of the newly created bodies often complained *a)* about their inability to perform the necessary tasks and *b)* the lack of co-operation from the central authorities in achieving the objectives of the Regional Operational Programmes. In fact, the implementation process of the second Community Support Framework at the regional level was virtually conducted within the new structures instigated by the Commission.

## FINAL REMARKS

The most important aspect of institutional reform in Greece was the role played by the European Commission in creating new administrative structures to deal with the implementation of the regional policy. Although the interaction of sub-national, national and supranational levels of governance did contribute to the Europeanisation of national regional policy in Greece, its impact on the performance of the public sector (central and regional) was rather marginal. At the same time, the multiplication of communication channels between sub-national and supranational actors and the mobilization of local interests in the view of new funding opportunities<sup>10</sup> contributed to the creation of various multi-level policy networks that, however, remain entangled in the national political game.<sup>11</sup>

Nevertheless, building the new framework was a slow process and often created considerable friction between the national and supranational levels of governance. The reforms reduced the Greek government's control over resources and affected the clientelistic relationship within the state apparatus. There is no doubt that the formal institutional framework that gradually developed in the 1990s improved the implementation of European Regional Policy, by creating crutches of relative efficiency in the operation of the Greek institutions. Since these crutches were constructed for the sole purpose of administering European structural funding and because of their independence from the public administration, they could not directly ameliorate the massive inefficiency of the Greek public administration. Nor did European integration as a whole imply the elimination of the considerable institutional failure in the wider operation of the Greek state. However, institutional reform in Greece had to take place even if political costs were high. Political leaders were likely to be constrained by these costs, which were inherent in the institutional framework of Greek society. Although, generally speaking, the impact of Europeanisation has been positive by providing an impetus for domestic institutional reform, counterproductive institutional inertness still remains a major challenge for Greek society.

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<sup>10</sup> Most notably, the implementation of the Community initiatives has encouraged some Greek local authorities to assume a more pro-active role by taking the initiative themselves to formulate projects and apply for funding (Koutalakis, C., 1997:30).

<sup>11</sup> Interpersonal relations, position in the party hierarchy and party identity, future political orientations of local leaders, personal profile, pre-electoral commitments, political parties and government strategies and the sponsoring of certain local politicians due to political considerations related to party competition, are crucial determinants of the abilities of sub-national politicians to mobilize local interest groups.



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