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# Quality of Government and Europeanization of Cohesion Policy: a comparative study of institutional performance in two EU regions

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PhD thesis

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## Introduction

While most of the academic literature on the impact of Europeanization on member states has focused on national differences, little research has been made on subnational variation. However, research in the context of the theoretical approach to endogenous development underlines the importance of regional, but also more generally of local institutional capacity for the adaptation process to the European system of multi-level governance.

Despite the fact that European member states have adopted the *acquis communautaire* there are indications of differences across-and-within them. Greece and Portugal represent comparable case studies, sharing many similarities regarding their democratization processes during the 1970's, the high centralized state structures and their weak civil societies. In this respect the adaptational pressures they faced after the EU accession have been significantly high, representing a major challenge for both countries. Nevertheless, despite the important similarities, it has been particularly evident that there is considerable variation between Greece and Portugal regarding policy and institutional adjustment in various policy fields. In addition, recent evidence also suggests substantial variation in terms of the performance of regional formal institutions and regional institutional infrastructure in general. Therefore, the research question raised is why do some regions perform better than others regarding policy and institutional adaptation?

The present thesis places focus on European Cohesion Policy, the Europeanization of which has long challenged the institutional structures within domestic governmental systems and triggered administrative restructuring and decentralization processes, enhancing institutional capacity at the subnational level and adaptation to the EU multi-level system of governance. Within this research framework, the thesis adopts the theoretical approach of Quality of Government, because it contains important variables (e.g. impartiality, government effectiveness, corruption, etc.) that decisively affect the participation of actors in policy-making procedures and consequently the process of institutional and policy adaptation.

The central research hypothesis is that the ability of regional governance systems to adapt in the context of Europeanization depends on the Quality of Government at the domestic level. Thus, quality of government, as well as institutional trust that

facilitates the formation of coalition-building among actors, are the intervening variables that significantly determine the ability of governance systems to adapt to the Europeanization process. Fieldwork research focuses on a comparative analysis of the regions of Attica and Lisbon, with particular emphasis on the 2007-13 programming period, and explores the similarities and differences between the two regions in terms of institutional and policy adaptation in the context of the EU governance system.

The thesis comprises of seven Chapters. The first chapter is an overview of the literature on the concepts of governance in general and the characteristics of the Quality of Government. The second chapter attempts to theoretically entrench the importance of Quality of Government in the adaptation process of policy and governance structures within the EU multi-level governance system, placing emphasis on the European Cohesion Policy. The third chapter provides the methodology and the research design of the thesis, the choice of the case studies and the limitations of the research analysis. Chapter four offers a brief presentation of the two case-study countries, Greece and Portugal, with emphasis on the evolution of governance and economic and social cohesion during the post-dictatorship period. In addition, it presents the national-scale data with regard to their performance in Quality of Government and institutional trust. Chapters five and six refer mainly to the fieldwork research and analyze the institutional infrastructure in the regions of Attica and Lisbon and evaluate the results and the institutional performance based on their respective Regional Operational Programs for the period 2007-13. They also depict the Quality of Government and institutional trust at the regional level, combining it with the detailed analysis of the qualitative data collected in the fieldwork research in the two regions. Concluding, chapter seven presents the results of the comparative analysis of the two cases and discusses the broader implications for the adaptation of regional governance systems as well as the relevance of Quality of Government within the convergence-divergence debate.

## **Chapter 1**

# **Conceptualizing Quality of Government and Institutional Performance**

### **Introduction**

Over the past decades there has been an extensive academic debate on governance and the changes that have taken place in the processes through which nation states govern societies. While these changes gain popular research analysis, the conceptualization of governance remains rather controversial. The first Chapter establishes the theoretical foundations of the research. Offering views on the conceptualization of governance, it underlines the role of the endogenous approach and local institutional infrastructure, while linking the debate with the main theoretical framework, namely the Quality of Government.

### **1.1. Conceptualizing governance**

Within the field of public administration, the concept of governance has been gaining ground as a central part in contemporary debates and is been used often, with various meanings and implications. Part of its major popularity is due to its capacity to cover the whole range of institutions and relationships among different actors involved in governing process. In most academic debates, the term governance has been widely used by scholars as the capacity of public institutions to deliver public services in an effective, accountable and transparent manner. Despite the fact that this definition offers a common ground for various governance approaches, it is characterized largely broad and not concrete.

Elaborating various views on governance, Pierre and Peters (2000) argue that the term constitutes an umbrella concept for a number of issues, such as policy networks,



public-private partnerships, public management and so on. In 2006, the same authors refer to governance as

*“the process of defining collective goals, making political priorities, and bringing together resources from a large number of different actors necessary to attain these objectives”<sup>1</sup>.*

Within this view of governance, policy networks, comprising of a variety of actors, such as state institutions and organized interest groups, enhance coordination of public and private interests and shared objectives and, with this regard, they promote efficiency in public policy implementation.

Pierre and Peters adopt a state-centric analytical perspective, assuming that the state is the key political actor and the predominant expression of collective interests. They argue that, despite all the political and economic developments that have taken place within the twentieth century, the role of the state is not decreasing, but it's rather transforming: from a role based in constitutional powers to one based in coordination of public and private resources. Although its role has been shifted to be mobilizing governance resources from different actors, the state is the central actor in policy-making procedures (Pierre & Peters 2000, 2005, 2006).

The authors elaborate two conceptual meanings of the process of governance. First, they accord to the state a “steering” role. Specifically, they suggest that governance is the only institution in society that has the capacity to establish overall goals and to resolve fundamental differences in preferences among relevant actors. However, even though states are still capable of “steering” society, their authority is not based in legal powers, but in their control over critical resources and their form of collective interests. On the other hand, governance may refer to the coordination of social systems. This role of the state focuses on various forms of formal or informal types of public and private interactions, which are manifested in different types of networks and partnerships (Pierre & Peters, 2000, Kohler-Koch & Rittberger, 2006).

Within the field of comparative policy analysis growing research on governance shifted the focus from the functionalist approach to a more actor-centred meaning of “steering”. This idea combined goal-oriented activities and actor-driven “steering” of

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<sup>1</sup>Peters G. & Pierre J. (2006), p. 28

societal or economic systems in a “problem-solving” state, which, rather than acting in the pursuit of particularistic interests, it is oriented towards realizing the public good. Abandoning the neo-corporatist tradition, according to which state actors are prominent -if not dominant- in the policy-making arena and enforce decisions, the basic idea here lays in the concept of a more open and cooperative type of governance. Within this context, and with the economic globalization hampering the state, hierarchical modes of cooperation are complemented by horizontal and cooperative forms of policy implementation. This concept of governance presumes public-private arrangements, policy networks between state and non-state actors and/or horizontal and vertical cooperation among public authorities (Koch & Rittberger, 2006).

The end of the Cold War and the termination of the ideological power struggle, together with the changes that followed in the political international system, brought the concept of governance to the focus of international relations. Thus, research on international politics was complemented by question addressing the effectiveness and problem solving capacity of various forms of international cooperation that put emphasis on the state ability to produce international governance. In addition, the issue of governance in international relations has been followed by questions regarding the role of private actors, such as NGOs and transnational organizations in a large variety of governance functions and policy-making procedures (Kohler-Koch & Rittberger, 2006).

## **1.2 From the global to the local: shaping institutional relations**

Recent academic discussions on governance begin with the assumption that the political authority of the nation state has been challenged by a number of factors mainly due to globalization. These factors may be the other layers of government, the market and/or various regulatory institutions. It is generally assumed that globalization constitutes a rather widely used notion for many types of external constraints on national sovereignty, be it political, economic, bilateral or multilateral, driven by the state or the market. Following once more the academic work of Pierre and Peters, globalization has different but closely intertwined dimensions; the

economic and the political one. Initiated by the technological revolution, economic globalization is the product of political decisions aiming at deregulating the economy in order to remove obstacles to development and growth. While it has been initially embraced by the United States and Britain, it was soon adopted by the EU as a means of promoting political and economic harmonization within the European Community. On the other hand, national governments face a number of challenges derived from economic globalization, as they have to adapt their institutions, economic and development policies, as well as transnational cooperation to the new policy environment. Thus, as the authors point out, the aspects of globalization are themselves each other's causes and effects (Pierre & Peters 2000, p. 58).

It goes without saying, that the great challenge of globalization has been the sovereignty of the nation state, whether conceived with respect to other nation states or to the autonomous authority within its borders. Arguments on governance point out that a great number of regulations can now be carried out by multiple institutional actors, which are beyond the hierarchical organization of political power that associated sovereignty with the traditional nation state. Within this framework, the emphasis is now placed not only on governance structures, but rather on the relationships and partnerships among various actors of different levels and organizations of collective action (Della Salla, 2001).

Stone and Ladi (2015) expand the analytical and conceptual approach of public policy and public administration by arguing that policy-making and policy delivery is not only a matter of nation states and that there are new domains of policy procedures that go beyond the state. The authors open a new debate on public policy and administration studies by arguing that global public policy is taking shape in a variety of public activities that are implemented by global and/or transnational policy actors. Within the global policy arena, new administrative structures emerge, such as global public-private partnerships that operate semi-independent from the state within their specific domain. In order to capture the dynamic and complex ambits of the emerging global arena, they offer two linked definitions<sup>2</sup>:

*“Global (public) policy refers to a set of overlapping but disjointed processes of public-private deliberation and cooperation among both official state-based and international organizations and non-state actors around establishing*

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<sup>2</sup> Stone D. & Ladi S.(2015), p. 840

*common norms and policy agendas for securing the delivery of global public goods or ameliorating transnational problems.”*

*“Transnational administration refers to the regulation, management, and implementation of global policies of a public nature by both private and public actors operating beyond the boundaries and jurisdictions of the state, but often in areas beneath the global level.”*

By providing this conceptual ambit, they move the debate from analysis on the impact of global processes to the nation states and put the accent on global policy and transnational administration in new areas of public sector activity. Within this framework, transnational public-private partnerships, non-state actors, international public servants, international organizations, scientific groups and private institutions account for the rapid growth of global policy networks that implement and deliver public policies. Although this new set of actors is not “detangled” from the state, it is most of the times independent from it (Stone and Ladi, 2015).

In the same vein, Moloney and Stone (2019) argue that policy decentralization from the state to global or regional governance goes hand in hand with the state’s delegation of part of its activities to non-state actors and public-private policy networks, creating a multi-actor policy framework where policy and administration are no longer considered exclusively public actions. Thus, in the framework of global public policy and transnational administration, multi-stakeholders influence global and/or regional policies and at the same time they influence the public administration of the sovereign states, becoming the vehicles of policy-making and policy transfer. Hence the authors conclude that the weakening of public administration sovereignty, the growing number of non-state global and regional actors, new global networked administrative structures, increased pressures to solve global and regional collective action problems requires the engagement with global policy and transnational administration (Moloney & Stone, 2019).

Although a challenge to the traditional analyses of policy and public administration, this conceptualization of global governance remains still underdeveloped within the wider field of international relations and is need of critical evaluation, while it remains to be seen whether and how domestic administration (or even EU public policy) can be adapted to global and transnational patterns of activity.

Certainly, globalization impacted upon governments' traditional process of "steering" societies and economies in various ways. Some were direct, like the transfer of authorities from national institutions to international bodies, such as the EU institutions, while others were indirect, but not less powerful, like the transnational harmonization of regulations and the convergence of social and development policies. Nevertheless, the responses of the nation states were not limited to the surrender to the globalization effects. On the contrary, they aimed at strengthening the transnational institutions through which they could pursue their interests *vis-à-vis* global capital (Pierre & Peters, 2000, p.59). Indeed, there have been remarkable pressures for larger political and financial units that would allow the promotion of economic prosperity, improved security and social development within the framework of a growing worldwide interdependence.

Nonetheless, turning again the focus on domestic politics, one should not overlook the fact that the intensity of the globalization of the market activities has stressed the existence of regional specificities. The new forms of transnational organization that have emerged as a response to the globalization processes have addressed the need of effective cooperation among the nation states and within a wide range of issue areas that promote common regional interests, which by nature cannot be confined to individual states. Although contradictory, both these processes, which have been developed as a response to the internationalization of the markets, have led to the weakening of the traditional model of central government that seemed incapable of regulating effectively its national economy. Thus, the loss of autonomy created the need for both supranational coordination and the adoption of strategies for subnational strengthening (Paraskevopoulos 2001a).

Overall, to some extent, the growing interest in the issue of governance during the past decades comes from the changing relationship between institutions at different levels of government. It appears that the traditional model of the central governments' control over subnational layers of government has been questioned and regional and local authorities have been granted more influence over the services and policies they deliver. Further on this, academic discussion argues that the devolution and empowerment of regional governments are appropriate state responses to internationalization. Moreover, other observers take it a bit further and suggest that national governments account for very little in today's global economy, since regions

create the most dynamic arrangements and provide an appropriate institutional environment for real markets to flourish (Pierre & Peters 2000).

According to Keating (1998), this form of regionalism was no longer manageable through the old mechanisms of territorial accommodation and exchange and it could not be fitted into an overall design of spatial planning. As stated above, the power and authority of the state has been eroded from three directions: from above, by the internationalization of the markets; From below, by regional and local assertion; and laterally, by the advance of the market and civil society. All these pressures have contributed to the erosion of the national state's capacities in economic management, in social solidarity, in identity formation and institutional configuration.

Within this framework, the increasing subnational assertion of control is contingent on some degree of institutional strength at the regional and local level. In particular, in order to be able to implement decentralization and devolution reforms, some states had to "boost" subnational governments, for regional authorities to be organizationally capable to resist central government's "steering" and control. In this respect, subnational governments became powerful institutional tools to promote regional and local development, sometimes in conflict with the state (Pierre & Peters 2000). In Europe, the emergence of regions as powerful institutional actors has been to a large extent promoted by the European Union and the vision of the "Europe of the Regions", which will be further discussed in the next chapter.

Therefore, it appears that the development towards strong subnational layers of government explains to some degree the interest of these governments in "bypassing" the state and exploring international networks. Indeed, the growing political dynamic at the regional level has led to the development of international contacts as a means of reinforcing the local economy and social welfare. This type of regionalism that has emerged is much more market-driven -than the historical notions of regionalism- and sees political institutions as a means to reach economic outcomes. Thus, while regions previously developed economic contacts in order to facilitate cultural exchange, this new type of regionalism promotes cultural exchange in order for regions to reach to boost their economic sector (Pierre & Peters 2000).

Hence, there was a shift towards new mechanisms for managing the impact of economic change on territories, focusing less on the direct planning policies of the state and more on the contribution of the regions themselves. Emphasis has been put on the endogenous growth and/or the attraction of investment by qualities linked to

regions, like the environment, culture, human capital or the labour force. With this regard, this new development paradigm, characterized by networks of territorial interdependence, underlined the importance of the creation of identities and endogenous systems of action, which rather than being mediated by the state, are more directly in confrontation with the international markets (Keating 1998).

Elaborated by numerous researchers, the endogenous approach focuses on the territorial dimension of development and considers territory as a “deposition” of specific social, cultural and historical specificities in local areas, which create different processes of development due to their local specifications. Within this context, territory and space are considered strategic elements of development and a meeting place of market and social relationships and networks. Based on this assumption, it is suggested that development should not be considered a consequence of a decentralization process, but the result of the presence of various economic, social and cultural variables that promote policy innovation and economic activities. Thus, endogenous development is seen as a bottom-up process and not as the outcome of a top-down redistributive policy of the national governments (Paraskevopoulos 2001a).

What differentiates the endogenous development approach from other theories is the emphasis on the presence of well-developed institutional infrastructure at regional and local levels. It becomes apparent that the presence of effective subnational institutions is of great importance, as they are capable of providing the collective goods, be it policy planning, social services and investment projects. On the one hand, regional governments have a key role in identifying the most advantageous sectors of production and providing the appropriate structures for participant actors to maximize effectiveness in the use of resources. On the other, local governments are able of providing the social and physical infrastructure of the internal market (e.g. research, vocational training). Therefore, instead of being only the mediators for the payment of governmental subsidies, regions are considered a crucial institutional and political actor and a key participant in the development process. Quoting Paraskevopoulos (2001a),

*“...governance in the endogenous approach is envisaged as the process by which the national or global environment is mediated by the subnational*

*institutional infrastructure in ways that affect the locality's development potential.”<sup>3</sup>*

In this respect, within the process of institutional change and without underestimating the role of national and supranational actors, regional and local institutional capacity and institutional specificities are considered key factors in the process of adaptation to the global international environment.

As it becomes clear that the endogenous approach requires the presence of sufficient economic and institutional resources at the subnational level, it goes without saying that the degree of decentralization of the administrative structure of the state is important with regard to the adaptation process. Nevertheless, existing evidence suggests that the degree of intergovernmental relations cannot be underestimated. Indeed, the level of capacity for collective action at the subnational level may facilitate or inhibit interaction and coalition building among actors. Thus, the institutional capacity for adaptation at the regional and local levels of government is considered a prerequisite for institutional development. In that sense, both formal and informal institutions hold a key role in the adaptation process, as they shape interaction and determine the relationship among the involved actors.

### ***The new institutionalist approach***

The above section outlined the identification of the role of institutions as one of the dominant research issues to the question of governance, while it brought discussion to the theoretical path of new institutionalism. With this regard, institutional analysis has been developed, regarding not only the impact that institutions have on governance, that is how institutions impact upon the domestic level, but also how to understand institutions.

The basic argument of the new institutionalist analysis is that institutions affect political outcomes. Rather than simply mirroring social and rational activity between different actors, they structure political action and affect outcomes. Institutions matter and include formal and informal rules and practices. One of the most notable features

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<sup>3</sup>Paraskevopoulos C. J. (2001a), p. 8



of rational choice institutionalism (RCI) is the argument that governing is simply exercised, when the actors' incentives are adjusted properly (Pierre & Peters 2000). Specifically, RCI focuses on actors' continuous power battle, drawing attention on the strategic interaction in the determination of political outcomes. Scholars of this approach tend to see institutions as features of a strategic context. Within RCI, actors have a fixed set of preferences and they behave strategically in order to maximize the attainment of these preferences. These interactions are structured by institutions, by controlling the information provided, limiting the range of choice, in order to reduce uncertainty about other actors' behaviour, and therefore leading them towards particular calculations and social and political outcomes. In this respect, institutional change depends upon the efficiency of power maximize power and the benefits it provides. Respectively, one major contribution of RCI to the study of politics is that it illuminates the importance of information for shaping power relations and determining political outcomes (Thelen & Steinmo 1992, Hall & Taylor 1996, pp. 942-946).

On the other hand, sociological institutionalism (SI) sees institutional procedures of modern organizations as "culture-oriented-practices" and defines institutions in a broad way, to include not only formal rules and procedures, but also moral and cultural values and symbols that shape human action. Within this approach, actors are viewed as socialized and their actions are determined by social norms and rules. Thus, institutions are shaped, constrained, determined and explained by the social context. However, scholars of sociological institutionalism do not suggest that individuals do not have their own preferences and identities, but rather these identities are socially constituted and actors seek to define their identity through cultural and social ways (Hall & Taylor 1996, pp. 946-950).

As an approach to bridge the gap between rational choice and sociological institutionalists, historical institutionalism (HI) pays attention to the state and the capability of institutions to structure and determine the outcome of collective action dilemmas. Particularly, they see polity as an overall system of interacting parts, but instead of emphasizing on individuals' social, cultural or psychological elements, they underline the role of institutional organization of the polity in shaping collective behaviour and producing political outcomes. In this respect, HI illuminates how political conflicts "*are mediated by the institutional setting in which they take*

*place*”<sup>4</sup>. Perhaps, its most notable feature is that, without denying the rational character of the human behaviour, historical institutionalism promotes incremental change through the process of path dependency. With regard to the latter, historical contextual elements of a given situation act as mediating factors and explain how institutions structure a nation’s response to institutional challenges and determine state’s capacity for institutional change (Thelen &Steinmo, 1992).

Within this perspective, periods of institutional history are characterized by “critical junctures”, whereas a rapid change is usually “imposed” by external factors, such as the changing international environment, globalization, Europeanization and so on. Within a “critical juncture” institutional change takes place and historical evolution moves to a new path (Hall & Taylor 1996, pp. 937-942). The distinction of periods of institutional stability and change suggests that institutional change can be a continuous process and the product of an incremental adjustment (Hall 2009, Bulmer & Burch 2001). Thus, by identifying path dependence and social and cultural appropriateness as notable features that affect individual action, historical institutionalism adopts a rather “thick” interpretation of institutions, which are defined by Hall and Taylor (1996) as

*“the formal and informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy”*<sup>5</sup>.

In this respect, institutions are viewed as independent variables that affect actors’ perception about their interests and determine their actions.

As with the bottom-up approach to regional government that has been previously discussed, the new institutionalism has brought to light the issue of non-economic factors that can determine the outcome of development policies. During the 1990s and as the debate on governance gained further attention, political scientists developed the idea of governance as a new way of analyzing states’ capabilities and state-society relations. Within this framework, the notion of “good governance” has risen, together by the International Monetary Fund, the World Bank and the United Nations. Specifically, the World Bank along with the OECD has promoted fiscal management and administrative efficiency as a precondition to sustainable growth and development. However, the concept of “good governance” has been expanded to a

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<sup>4</sup>Thelen K. &Steinmo S. (1992), p. 2

<sup>5</sup>Hall P. & Taylor R. (1996), p. 938

broader political meaning, including the elements of democratic legitimacy, the rule of law, free market competition and a greater involvement of non-state actors and NGOs in the policy-making process (Kohler-Koch & Rittberger, 2006).

In a similar vein, in 1996 the IMF declared that “promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of framework within which economies can prosper”. Under these circumstances, the Quality of Government approach was developed in order to shed light on those aspects that facilitate (or hinder) good governance. But what exactly does this new concept entail?

### **1.3 Quality of Government and Institutional Change: theoretical considerations**

The theory of Quality of Government (henceforth QoG) embodies among others the concepts of corruption, inequality, impartiality and trust. These highly interrelated phenomena are crucial in the study of modern democracies and have serious consequences for the functioning of public administration and state capacity. Even though there is a wide agreement on this statement by scholars, there has not been much interest in the public administration agenda on what quality of government actually is about. In this direction, the studies of Bo Rothstein and his developed theory of QoG are of great importance.

Moving towards the construction of a theory of what should count as QoG Rothstein (2011) follows a number of critiques on existing definitions. First of all, he disagrees with the World Bank Research Institute’s broad definition, which defines good governance as

*“The traditions and institutions by which authority in a country is exercised. This includes a) the process by which governments are selected, monitored and replaced, b) the capacity of the government to effectively formulate and*

*implement sound policies, and c) the respect of citizens and the state for the institutions that govern economic and social interactions among them*"<sup>6</sup>.

Rothstein argues that they do not take into account issues concerning access to and exercise of power and living out of their scope the distinction between the content of specific policy programs and government procedures. In other words, the main argument with this definition of governance is that it leaves a few issues that do not fall within its domain (Rothstein 2011, p.8). As Rothstein and Teorell (2008) put it, "*if QoG is everything, then maybe it is nothing*"<sup>7</sup>.

Rothstein (2011) continues his critique by disagreeing with the functionalist approach that defines good governance as "good-for-economic-development". He mentions that such an approach clearly leaves out noneconomic phenomena related to QoG, as mentioned above, such as social trust, subjective happiness, democratic stability and so on. In addition, he argues that such a definition lacks universality, since the institutional arrangements that cause growth vary from country to country and consequently a definition of QoG for every country would be needed. Finally, he points out to *The Economist's* argument (June 4, 2005), according to which that functionalist definition does not avoid to fall into the tautology trap. If good governance is defined as "good-for-economic-development", then the infinite regress that follows is: "*What is required for growth? Good governance. And what counts as good governance? That which promotes growth. And what is required for growth?...*"<sup>8</sup> and so on.

Continuing his critique on existing literature, Rothstein states that quality of government cannot be defined as the absence of corruption. Corruption is understood as "the abuse of public power for private gain" (Rothstein & Teorell 2012). As with the functionalist approach, the problem with this definition relies on the lack of universality, since what counts as "abuse" differs across countries. It goes without saying, that the study and measurement of good governance in various countries remains impossible when there is not a universal and normative accepted standard of what should count as "abuse" (Rothstein & Teorell 2012). Without a universal concept, it is impossible to undertake a comparative approach on QoG and create a

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<sup>6</sup>Kaufmann D., Kraay A., Zoido-Lobaton P. (1999), p. 1

<sup>7</sup>Rothstein B., Teorell J. (2008), p. 168

<sup>8</sup>Rothstein B. (2011), p. 9

common theory. Moreover, although the absence of corruption should be a strong component of a QoG definition and a crucial indicator on QoG measurements, the latter comprehends many other practices, where administrative agents are guided by interest groups or political leaders and serve personal interests at the expense of public good. Such practices include clientelism, patronage, nepotism and/or discrimination (Rothstein 2011, Rothstein & Teorell 2008).

Rothstein also follows La Porta *et al.* (1999) argument, identifying that, as empirical studies show, when it comes to QoG, there is not a connection between government size and corruption. Particularly, La Porta *et al.* assessed the question of quality of government in examining the variation in countries' economic and social development. Measuring public sector performance, interventionism, quality of public good provision, government size and political freedom, they found that quality of government varies significantly across countries. More specifically, they argued that government performance is determined by economic development, but also by historical influences. As such, countries with ethno-linguistic homogeneity and common laws, score better at the quality of government level. However, what is of particular interest in their analysis is that better performing countries are bigger and collect higher taxes, while poorly performing governments are smaller and collect fewer taxes (La Porta *et al.* 1999). They suggest though that

*“this result does not of course imply that it is often, or ever, socially desirable to expand a government for a given quality, but it tells us that identifying big government with bad government can be highly misleading”<sup>9</sup>*

As with the concept of corruption, the rule of law is also at the core of the discussion in good governance. Its meaning however is covered with inherent ambiguity. As such, there is a dispute in literature whether or not it should be given a pure procedural interpretation, with no implications for its actual substance. Scholars defending the procedural notion argue that there should be a distinction between the rule of law and the rule of “good” law, while other critics underline that moral values of liberal democracy should be encountered, as such a definition would allow detested regimes, like Nazi Germany, to be classified as abiding by the rule of law. In addition, even among the first category, there is strong disagreement on the internal qualities of

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<sup>9</sup>La Porta R., Lopez-de-Silanes F., Shleifer A., Vishny R. (1999), p. 266

the law, namely to be consistent, stable and understandable rather than to define the principles a political system must abide by in order to act in the name of the rule of law (Rothstein & Teorell 2008). In addition, another problem may be that, when policy programs related to “human processing” areas, such as education, welfare state or labour-market, that are operated by lower-level government officials and have to adapt their actions to specific circumstances, it is administratively impossible to act within the rule of law. This is due to the fact that many times such programs are carried out by professionals or organizations, which are not guided by the principles of rule of law. What is actually derived from the above discussion is that while the rule of law lies at the core of good government, it cannot solely cover the whole spectrum of the concept (Rothstein & Teorell 2012).

In their studies, Rothstein and Teorell (2008, 2012) strongly disagree with the statement that quality of government should be equated with democracy. The reason why many relate quality of governance with democracy is because the latter is directly linked with accountability, which reduces corruption and the abuse of power of public official. The question raised though is why should we use concepts like quality of government or good governance, if we could only speak about good democracy? The answer relies on the fact that there is no direct linkage between establishing electoral representative democracy and features of quality of government, such as lack of corruption, equality or social trust. On the contrary, empirical findings show that countries that have newly been democratized have high levels of corruption (Peru, Jamaica). On the other hand, countries that are authoritarian regimes, like Singapore for example, score better results in diminishing corruption. One should also take into account, that in some countries, like Greece, politicians that have been accused of or suspected for being bribed do not have fewer chances in being elected than others who are considered impartial. In a nutshell, QoG is more relevant in explaining why some countries perform better than others and should not be equated with the concept of democracy. Therefore, democracy constitutes a necessary, but insufficient prerequisite for the achievement of good government performance. The reason for this assumption is that if QoG equals democracy, the emphasis would only be on *how power is achieved*, leaving out the significance of *how power is exercised*.

Within this context, the QoG theory underlines the *output* over the *input* side of politics, as it consists of indicators like the rule of law, government effectiveness, control of corruption, the quality of civil services etc. In particular, research indicates

that when it comes to citizens' perspectives concerning political legitimacy, the government effectiveness and the quality of institutions is of more significant importance than the institutions at the *input* side, such as the quality of the elections and the protection of the civil rights (Rothstein & Tannenber 2015, Dahlberg & Holmberg 2014). Fukuyama (2013) also notes that there is no clear correlation between democratic accountability and the quality of a state's administrative capacity.

Furthermore, regarding the relationship between QoG and government efficiency, Rothstein and Teorell (2012) disagree with the economists that state that QoG should be defined as promoting government efficiency of effectiveness. They argue that the notion of "quality" goes far beyond economic efficiency. It is not difficult to think of cases where a government's performance could be efficient, but the outcome is less than beneficial for citizens. Similarly with the critique on the functionalist approach, defining QoG in terms of administrative or regulative efficiency hides the risk of falling in a continuing tautology trap: there is no point saying that states with government efficiency produce efficiency. Nor that efficiency produces efficiency (Rothstein & Teorell 2012).

Concluding, Rothstein's main purpose towards explaining QoG is to give a definition that is related to government procedures and not to substances. His argument against the so called "Platonist-Leninist" approach is that, if political or economic experts were to prescribe public policies, then democracy and government processes would be emptied of substantial issues. And if public policies are beforehand designed by experts, there is not much left in political parties to do. In other words, if QoG is defined as way in which political or economic scientists decide upon policies, then what is the meaning of having representatives in a democratic system? Relying on Robert Dahl and John Rawls' foundations on political philosophy and the theory of justice, Rothstein argues that operating political procedures that are dealt with in modern democratic theory and are motivated by norms of justice will give great beneficial social and economic outcomes. As he clearly states,

*"the hope is that human agents active in such fair procedural systems will also produce substantively good outcomes in terms of policies, which is different*

*from having experts and scientists deciding the content and substance of the policies”<sup>10</sup>*

What is derived from the above criticism on existing literature is that, what should be counted as quality of government is not economic growth, the lack of corruption, the size of government, the rule of law, democracy or government efficiency. The existing conceptual discussion on good governance, refrained from the scope of political philosophy and the norms of justice. However, if quality of government is to be defined without taking into account moral standards and norms of liberal political theory, then it would be like talking about a “good governance” agenda where human well-being is sacrificed for some overall utility (Rothstein & Teorell 2012).

Before going any further, it should be noted that the notion of QoG draws upon the distinction within institutionalist theory between *redistributive* and *efficient* institutions. Indeed, while the former encompass formal or informal rules (be it the tax system, corruption, clientelism and so on) that imply transfer of resources from one actor (or group of actors) to another, efficient institutions imply basically informal norms (impartiality, social trust, lack of corruption, etc.), that improve the state of actors. Thus, what is needed in order to provide a clear definition of quality of government is a normative theory that gives a universal orientation of what should be regarded as “good” on the one hand and on the other, an approach that clearly shifts the interest from the *input* side of the political system, that is the access to public authority (electoral democracy, representation), to the *output* side which relates to efficiency in policy implementation and generally the way in which power is exercised. In this respect, quality of government closely links to the institutional theory of trust and its related concepts of corruption, rule of law, government effectiveness and so on (Rothstein & Teorell 2008, Paraskevopoulos 2012).

Under this scope, Rothstein and Teorell (2008, 2011, 2012) suggest that, democracy in the form of political equality on the *input* side of the political system - where policies are determined- as laid out by Dahl, should be complemented with *impartiality* on the *output* side of the political system -where public authority is exercised. In this respect, they give the following definition of impartiality by Strömberg (2000):

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<sup>10</sup>Rothstein B. (2011), p. 8



*“When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law”<sup>11</sup>.*

Based on the government procedures and not on policies' content, the definition implies that when exercising public authority, agents ought to act irrespectively of personal considerations; relationships and/or preferences and they should not be motivated by personal likes or dislikes. In this respect, impartiality constitutes a legitimizing principle for the *output* side of a political system. It should be noticed, however, that one should not confront “impartiality” with “objectivity”. The latter implies that, having full knowledge of a given situation and weighing all facts equal, a decision is taken as if there was a natural law process. On the other hand, impartiality is based upon human and moral standards, where facts that may have an impact on a decision or civil servants that may be a direct or an indirect part of the case are left out. This conceptual meaning of QoG as impartiality is in contrast with the public choice theory, where actors behave in a way to maximize their interests. To give an example, when exercising public authority, public officials should not take into account special characteristics, be it ethnical, linguistic, ideological and/or economical, should not be part of a decision when relatives or friends are involved, nor should they be bribed and be motivated by self-interests. Thus, it becomes evident which basic standard is being “abused” when corruption, clientelism, favouritism, patronage or discrimination takes place (Rothstein & Teorell, 2012).

Even though the notion of an impartial public authority goes back to Max Weber, the impartiality principle has not been thoroughly developed in the public administration agenda and has been subject to a number of criticisms on the literature. First of all, it has been argued that the modern state bureaucracy requires flexibility in different cases' operation, something that impartiality would not allow, and that the principle of impartiality is an ideal impossible to be achieved. Moreover, as already mentioned, theorists of public choice argue that public officials are not driven by moral standards related to impartiality, but rather by personal interests in order to gain profit. This critique is related to the idea that politics is only about partisan interest struggle and has nothing to do with impartial public authorities.

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<sup>11</sup>Rothstein B. &Teorell J. (2008), p. 170

Additionally, feminist approaches argue that partiality is a life-meaning itself and individuals, be they public officials or not, cannot completely impersonal and outside their particularistic views. Instead, their decisions can only be related to particular features, be it ethnicity, class background, religion or gender (Rothstein & Teorell 2008, Rothstein 2011). Furthermore, a strongest argument of this approach comes from some feminist scholars, who point out a possible conflict among the impartiality principle and the state's capacity to deliver some kind of social services. According to their argument, when it comes to social workers, teachers or medical professionals, their work should be based on the "logic of care" rather than impartiality, which implies a more context-dependent ethic standard. For example, no one expects teachers to behave to all children alike and not support those who need more support. Or, no one would accept doctors or nurses to offer the same treatment to all patients and not pay more attention to those who are in need (Rothstein & Teorell 2008).

Responding to the above criticism on the impartiality principle, Rothstein and Teorell develop a model based on the perception that there are different "spheres" of acting in political, social or personal level, where individuals may be driven by self-regarding or other-regarding interests and where impartiality has a different meaning. Thus, in the "state" sphere, power exercise, policies and enacted laws should be applied in accordance with the principle of political equality, while in the "market" sphere, actions are self-interest driven, but access to market should be equal to all. On the other hand, when it comes to the private sphere, where entrance is restricted to family members, friends or a small group of people, individuals should not behave according to self interests, but rather act for what is perceived as "good" for all members. The latter is not related to actions for public interest, but is rather based on some "logic of exchange" (Rothstein & Teorell 2008). An illustration of the model can be seen in the different use of common language words. While the word transaction is fully accepted in the "market" sphere, it takes the meaning "bribe" when it comes to the "state" sphere. In the same way, accepted family or interest groups' norms, are explained as patronage or clientelism in the "state" sphere (Rothstein 2011).

To sum up, the purpose of the model is to explain that humans do not always have a specific behaviour, irrespective of the situation they are into, but they have the ability to distinguish that what may be considered as "acting impartially" in one

“sphere” may be inappropriate in another (Rothstein & Teorell 2008). Quoting the authors, their model is in accordance with the idea that

*“social science should not be based of society being dominated by agents with only one script of human behaviour or a single set of moral norms, be that self-interest, the principle of care, rent-seeking, bureaucratic ethics, feelings of community or altruism. (...) while impartiality is a norm to be followed in one sphere, it would be dysfunctional and/or unethical in other spheres”<sup>12</sup>.*

Therefore, based on the above discussion, they propose the following definition of QoG:

*“Quality of Government is understood as the impartiality of institutions that exercise government authority”<sup>13</sup>.*

The implication of the this definition is that once a policy has been determined by the political system, irrespective of its content, quality of government implies that is has to be operated in accordance with the principle of impartiality. And according the model of impartiality described above,

*“What QoG demands is that people employed to exercise government powers recognize that there are clear boundaries between this sphere and other societal spheres and that these boundaries put severe restrictions on what types of behaviour can be accepted”<sup>14</sup>.*

In a similar vein, Jan Teorell (2009) declares that the concept of impartiality is appropriate in integrating the literature of consequences of government institutions, such as corruption and social capital, growth and economic development, bureaucratic quality and civil war and individual happiness and well-being. Presenting data on the impartiality of government institutions in 52 countries all over the globe, he finds strong support that impartial government institutions raise the levels of confidence, sustain high levels of economic development and enhance subjective happiness. Regarding the latter, Teorell’s findings show that citizens’ happiness is enhanced because the impartiality of government institutions reduces the incidence of civil war and increases interpersonal trust and economic growth. As such, the principle of

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<sup>12</sup>Rothstein B. &Teorell J. (2008), p. 176

<sup>13</sup>Ibid. p. 165

<sup>14</sup>Ibid. p. 177

impartiality provides the most coherent, comprehensive and measurable conception of quality of government theory (Teorell 2009).

The above discussion points out that QoG goes hand in hand with the notions of corruption and trust. Nevertheless, given that the concept of corruption is usually conceived as the lack of transparency, its meaning and definition have been a difficult task. The most well-known attempt has been made by Rose-Ackerman (2004), who defined corruption as “*the misuse of public/power position for private/political interests/goals*”, while other approaches give emphasis on the differential treatment of citizens by public authorities and perceive corruption as the lack of impartiality on the part of formal state institutions. However, both approaches encompass all aspects of the predominance of personal interest at the expense of public goods.

Exploring the literature there have been identified by Heidenheimer (2002) three basic types of corruption. First of all, *petty* corruption has to do with everyday transactions, usually with public authorities, that involve bribing “street-level bureaucrats” with small amounts of moneys, in order to facilitate bureaucratic procedures, be it the acceleration of the provision of public services or police fines for small traffic violations. On the other hand, *routine* corruption refers to small value exchanges that take place in the form of clientelistic practices. Such practices include preferential provision of services to political friends or special treatment by public authorities, as an exchange for political support. At last, *grand* corruption refers to transactions of large amounts of money between politicians or political parties and “political clients”, where the former provide extremely lucrative and beneficial contracts in order to gain strong economic support. However, it should be noted that, while Heidenheimer makes this distinction based on the “moral acceptability” criterion, an approach by Uslaner (2008) pays attention on the profitability of each type of corruption. In this way, petty corruption –or low-level corruption-, rather than morally acceptable, is considered by Uslaner to be unavoidable, as it has become a matter of everyday survival for citizens, given that institutional infrastructure hinders the effective functioning of public institutions (Paraskevopoulos 2010, p. 114, 2012 pp. 3-4).

The above distinction is considered to be of great importance in order to understand the causal interrelation of QoG and the notions of corruption and trust. At the individual level, people who generally believe that they can trust most of the citizens in their societies engage more in politics and participate in civic organizations

and generally they tend to have a rather positive view of their democratic institutions. The same goes for the societal level. Societies and regions with more trusting people tend to have more efficient democratic institutions, greater economic growth and low levels of corruption. Hence, as Rothstein argues, since social trust is seen by citizens as a variable of their evaluation of the moral standard of a society, it is considered an important informal institution and lies at the so called “problem with many names”, that is social dilemmas, the problem of collective action, the prisoner’s dilemma and similar others. Even if all agents know that if they collaborate and contribute they will all gain and good will be produced for all participants, there is no point in doing so if there is no trust that the others will also contribute. Indeed, according to rational choice institutionalism, there is always the risk that agents will act opportunistically in order to gain more and maximize their utility or that they will benefit without contributing. Thus, the lack of trust discourages agents from building coalitions, even if they know that collaboration would make them better off (Rothstein 2011).

Therefore, trust is considered to be an important by-product of QoG, directly linked to the uncertainty of the modern institutional settings. By enhancing cooperation, it is considered a conceptual mechanism that resolves this uncertainty, shaping the relations between actors and consequently facilitating participation, collective action and institutional change (Paraskevopoulos, 2012, 2017).

It should be stressed however, that what is important in this research is institutional trust and not interpersonal or particularized trust. In this respect, instead of following the society-centred approaches that focus on people’s interactions within civil society, emphasis is put on the institutional theory of trust, which links social trust to the formal political and legal institutions. Literature vindicates two important roles of formal political institutions in the provision of social trust: the first identifies institutions as guarantors of agreements –referring to impartial street-level bureaucracy- and the second as facilitator of coalition building, through limiting the risk associated with trusting other people (Paraskevopoulos 2012). Both these aspects perceive institutions as providers of external solutions to collective action dilemmas.

Generally, the institutional theory of trust considers corruption to be an element of institutional incapacity and institutional malfunctioning that negatively affects institutional and social trust. Following this account, trustworthy, reliable, incorrupt and impartial government institutions that implement public policies and exercise public authority is what creates social trust (Rothstein & Stolle 2001, Rothstein 2011).

In addition, social trust is not related to the input side of politics –where the main role of political institutions is to be partisan and trust may be conditioned by citizens’ ideological orientations- but to what takes place at the output side. From this point of view, attention is shifted on citizens’ perceptions of the impartiality of institutions responsible for delivering public authority as a key element that affects generalized trust (Rothstein 2011, Paraskevopoulos 2012). This group of scholars stresses out that people base their perceptions of trust on their everyday experiences that is their experiences with public authorities and civil services. What matters most when measuring generalized trust is not trust in institutions in general, but trust in those institutions that deal with public policy implementation and are part of people’s everyday life experiences, that is trust in the impartiality of the street-level bureaucracy. In this respect, instead of emphasizing on grand corruption, which is a rather widespread concept, petty corruption is put at the core of trust, as it reflects the lack of impartial institutions and determines citizens’ perceptions on institutions and institutional and/or social trust.

Furthermore, following Hall’s arguments, actors are often confronted with a level of uncertainty of the impact that an institutional reform will have on them. This level of uncertainty lies on the availability of the “instrumental beliefs”, that is

*“means-ends schemas that describe in this instance how the adoption of new institutions will affect the likelihood of achieving various types of goals, as well as on the level of confidence with which such beliefs can be held”<sup>15</sup>.*

Common sources for instrumental beliefs include epistemic communities and communities of experts, the experience of which is fundamental for the level of confidence that actors have on such beliefs. Hence, the existence and the content of the prevailing instrumental beliefs, as well as the conditions that shape or affect those beliefs, are crucial components of the coalition-building and should be part of the explanations of an institutional change (Hall 2009, p. 6-7).

While it has been well established that corruption, impartiality and institutional trust are highly correlated, it is worth noticing that the interaction of these three phenomena is the fact that they are characterized by vicious circles or virtuous circles and are considered to be sticky. What is meant by that is that they constitute high

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<sup>15</sup>Hall P. (2009), p. 6

entrenched institutional equilibriums that are difficult to alter through time and space, thus inhibiting institutional change: trapped in a vicious circle, countries with high levels of corruption appear to have low levels of institutional trust. On the other hand, in the virtuous circle, countries with low levels of corruption show relatively high levels of institutional trust (Boix & Posner 1998, Rothstein & Uslaner 2005, Paraskevopoulos 2010, Rothstein 2011).

Within this theoretical framework, QoG and institutional trust (and the related concepts of corruption, clientelism, favouritism, partitocracy and alike), are considered to be highly interrelated and constitute crucial elements that change difficult across time and space and therefore hinder policy and institutional adaptation. In this respect, in countries with a tradition of authoritarianism and such practices –like some South European countries- domestic change takes place in periods known as “critical junctures”, where change happens as a response to positive external shocks (Hall 2009, Paraskevopoulos 2012). Briefly, acknowledging that history does not flow smoothly from time to time, adaptation is considered the product of crises and punctuated periods of change that generate longstanding consequences (Capoccia & Ziblatt 2010).

## **Conclusion**

This chapter has discussed that, due to the economic and political changes of the last decades, along with the emergence of globalization, the region has been put under the microscope of the governance agenda. Notwithstanding the role of national and supranational actors, political research on institutional adaptation has emphasized the key role of endogenous political, cultural and social features in the development process. Indeed, regarding the endogenous approach, regional and local institutional capacity for coalition building and domestic institutional specificities have been identified as key factors in the process of adaptation to the global international environment. That is because of their ability to determine the level of coalition building among political and economic actors, which is itself a precondition for the institutional adaptation process. Hence, formal and informal institutions hold a key role in the adaptation process, as they determine the relationship among the actors involved.

In this respect, the quality of government theory has emerged as the approach that elucidates the key indicators that are determinants for promoting or inhibiting domestic institutional and policy change. Within the framework of public policy and democratic states in general, corruption, impartiality and trust have been identified as interrelated, but rather sticky phenomena: comparative data of the last 25 years show that none of them changes significantly through time and space. It is noteworthy however, that these three phenomena are characterized by vicious/virtuous cycles: trapped in a vicious circle, countries with high levels of corruption seem to have low levels of trust in institutions. On the other hand, countries with low levels of corruption have relatively high levels of institutional trust. Thus, high levels of quality of government and institutional trust are considered to be highly interrelated crucial prerequisites for adaptable institutional infrastructure at the subnational level.

Finally, while institutions are considered to be the “glue” that frames the organizational structure by shaping interaction between actors and facilitating coalition-building, what is considered an interesting contribution is the attempt to explore the causality between culture and actors’ behaviour and examine the system of interaction between political structure and social norms. In that sense, QoG is considered to be useful conceptual tools in the task of “bonding” the core sub-fields of new institutionalism, as it shape actors’ relationship within coalitions, constituting therefore a crucial determinant in facilitating institutional adaptation.

Having set the theoretical ambit of QoG, research is placed on EU governance and particularly the European Cohesion policy, characterized by policy-making processes that involve a multiplicity of actors on a variety of territorial levels, thus allowing a deeper understanding of the determinant role of QoG to institutional and policy change.



## Chapter 2

### **The Europeanization of Cohesion Policy: Quality of Government and institutional adaptation**

#### **Introduction**

Cohesion policy is considered to be one of the most important policies of the European Union, accounting for more than a third of the EU budget. It is among the most significant areas of EU action. With the Structural Funds being its main financial instrument, European regional policy seeks to diminish economic and social disparities in EU member states, by providing financial aid to disadvantaged regions and localities. With this regard, it is considered the most significant financial redistributive instrument at the EU. For example, for the current programming period 2014–2020, funding for regional and cohesion policy amounted to 351.8 bn<sup>16</sup>. The biggest part of this money amount goes to the less developed countries and regions of the Union.

#### **2.1 The gradual Europeanization of Cohesion Policy and the subnational systems of governance**

During the first years of the European Community regional policy was almost absent. The development of the European Cohesion policy was the result of two main factors as parts of European integration: the process of enlargement and the economic integration. Both the enlargement and the European economic integration provoked significant imbalances in the European structure that needed to be addressed. Regional disparities were considered to be a great impediment to further integration

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<sup>16</sup>[http://ec.europa.eu/regional\\_policy/thefunds/funding/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm) (accessed on 28/05/2020)

and references to the regional problems have been identified at the preamble to the Treaty of Rome of 1957, which states that it is

*“anxious to strengthen the unity of the member states’ economies and to ensure their harmonious development by reducing both the differences existing between the various regions and the backwardness of the less favoured regions”<sup>17</sup>.*

Under these circumstances, European Cohesion policy was created to compensate, to some extent, for the problems and costs that these policies inherent to some countries and regions and to contribute to their structural adjustment in the new European context (Petraikos & Psycharis 2016, pp. 409-411). As pointed out in the European Treaty,

*“the Commission must act to promote overall, harmonious development (...) and reduce the disparities in the levels of development of the various regions”<sup>18</sup>.*

During the first years, two main factors hindered the development of economic and social cohesion. The first was the prevailing *laissez faire* approach, according to which regional development would occur as a consequence of the general economic development of the Community, whereby the markets would ensure that as strong regions become even stronger, weaker regions would benefit and develop too. Thus, there would be little need for a European intervention. On the other hand, even though regional divergences among the first six member states were far from obvious, the problem of the Italian South was not enough to justify an intervention at a European level by itself (Loughlin 1997, p. 444).

However, despite the obstacles, some instruments and directives were put forward in order to promote economic and regional development. The most important has been the European Investment Bank, created in 1958 and designed to provide assistance to the less developed regions of the Community through loans. In addition, as a response to the implications of the Common Agricultural Policy (CAP) -that promoted large-scale industrialized agriculture- European initiatives were developed in order to protect the traditional farming methods of the peripheral regions and

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<sup>17</sup>Loughlin J. (1997), p. 443

<sup>18</sup> Article 158 of the European Treaty, appeared in Faíña A., López-Rodríguez J. (2004), pp. 7-8

localities and to compensate for the damaging social consequences of the CAP (Loughlin 1997, p. 444).

In view of the 1973 enlargement and the accession of the United Kingdom, Ireland and Denmark, the establishment of a common European Regional Policy was put forward, as the three new member states, along with the southern regions of Italy, possessed serious regional problems. Moreover, it was acknowledged that the *laissez faire* approach was far from reality and it was crucial to ensure that the upcoming greater economic divergence would not be a threat to the political and social cohesion of the Community.

Under these considerations, the establishment of a common European Regional Policy was decided at the Paris Summit of the Council of Ministers in October 1972. The member states agreed to

*“give top priority to correcting the structural and regional imbalances in the Community which could hinder the achievement of the Economic and Monetary Union.”*<sup>19</sup>.

In its initial form, European Regional Policy was driven by the notion of a transfer of national resources among member states on the basis of their need and their ability to participate in funding. However, given the economic crisis and recession in the beginning of the 1970's, most western governments were very reluctant. Particularly, while member states such as Italy and Ireland strongly benefited from this transfer, Germany and the other western governments were rather unwilling to fund regions in need and deliver powers to the European Community (Manzella & Mendez 2009, Loughlin 1997, p. 444-445).

It was not until December 1974 that an agreement was reached with the creation of the European Regional Development Fund (ERDF) that was put forward for a three-year trial operation on January 1975. National quotas were set out for the allocation of the ERDF, but its small figure amount did not permit a significant effect on regional disparities. The Directorate General (DG) responsible for the ERDF management and regional policy in general, was designated to influence the selection of project applications of national governments and to prevent the substitution of the ERDF budget for national expenditures. Despite the problems faced by the

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<sup>19</sup>Manzella G.-P. & Mendez C. (2009), p. 8

Commission regarding the balance between the total value of the national projects submitted and the agreed quotas and the absence of transparency of financial information on behalf of national governments, the implementing regulations of the ERDF provided the basis of the future structural reforms of the European Regional Policy (Allen 2005, p. 217).

The inadequacies of the initial formulation of the European Regional Policy, together with the oil crisis at the mid-1970's and the deepening of regional disparities, led the European Commission in July 1977 to submit the Guidelines on Community Regional Policy, along with a set of a detailed legislative proposal. The most significant change however, was the introduction of a non-quota section for specific regional development measures. The allocated ERDF amount for the quota section was decided on the basis of significance of a member state's regional problems and national governments retained the responsibility of deciding the nature of these problems. The non-quota section gave the Commission a more strategic role as it was allowed to support areas outside those designated by the national government and to develop some new approaches to regional policy that would be expanded in future reforms. Other reforms concerned the enhancement of regional development programmes, the eligibility of infrastructure expenditure and various administrative and payment procedures. Finally, the Commission was granted responsible for preparing reports on the economic and social performance of the regions, within which it could develop proposals and reforms for Regional Policy (Loughlin 1997, Manzella & Mendez 2009).

Regardless of the effort made, the Commissions' initiatives regarding Regional Policy had been subject to criticism. The statistical indicators concerning the amount of funding were regarded as invalid, some countries stated that the budget was scattered to small projects. All the above, alongside the disputes among member states over the amount of the European budget, called the need for reforms. Within this context, in June 1984 the European Council agreed upon a set of changes formed to ameliorate the Community's orientation regional policy (Manzella & Mendez 2009).

Under the 1984 reform, ERDF allocations were partly increased and would be distributed to the member states on a basis of an indicative ranges' system, while the Commission's role concerning project selection was broadened. In addition, emphasis was put on coordination among Community policies, but also between national policies and trans-frontier regional development programmes. Additionally, European

Regional policy enhanced the promotion of gradual adaptation of the underdeveloped areas and the conversion of declining industrial regions, as well as other regions that were lagging behind.

One of the most significant aspects of the reform was the enhancement of the programme approach, by increasing the share of the total funding allocation, which would be channelled through Community Programmes (Community Initiatives) on the one hand, designed to promote economic and social cohesion, and on the other, through National states' Programmes initiated to assist the convergence of the member states' economies. The programme approach was an attempt to ensure additionality to funding, meaning that the ERDF sources should not be a substitute for national funding but an addition to it (Loughlin 1997, Manzella & Mendez 2009). It should be noted though that the programme approach constituted an initiation of the "contractual partnership" principle that implied partnership between supranational, national and subnational authorities. This innovation at the 1984 reform was regarded as a starting point for the Europeanization process of the subnational level of government (Paraskevopoulos 2001a, p.35)

Up until 1985 cohesion policy in the European Union consisted of the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF), established in the Treaty of Rome in 1958. In this context, the upcoming south-west enlargement constituted a great challenge for the European Regional Policy. In addition, in 1984 the Greek government vetoed the Iberian accession and demanded compensation, along with France and Italy, from the Commission. The reason specified was that such an enlargement would provoke economical damages to the country.

In response, the European Commission agreed to the initiation of the Integrated Mediterranean Programmes (IMPs) in 1985, recognising the Greek argument (Allen 2005, pp. 214-218, Bache 1998, p.68). The IMPs constituted an innovation for the European regional policy and provided the transfer of 6.6 billion ECU to regional parts of the three countries, for a period of seven years, which would be allocated to several integrated programmes including infrastructure, industry and agriculture (Allen 2005, p. 240). The main purpose of the IMPs was to provide additional resources to regional governments in order to promote endogenous development and to attribute a more central role to the subnational level, through partnership arrangements at all stages of policy-making, including planning, implementation,

monitoring and evaluation processes. Indeed, the committees responsible for the programmes' implementation were constituted by representatives from the supranational, national and regional authorities. Finally, the IMPs moved to the codification of the contractual partnership, through which a legally binding contact between the Commission and national and regional authorities was required. Particularly, the principle of partnership, which was later reinforced with the Structural Funds reform in 1988, became an innovative feature of European Regional Policy (Paraskevopoulos 2001a, p. 36).

### 2.1.1 The major challenge of the 1988 Reform

Within this historical context, the European Commission looked forward to a new perspective of the European Cohesion Policy. Under the Single European the need for economic and social cohesion of all Community regions was highly emphasized. Under the presidency of Jacques Delors, the European Commission aimed in transforming European regional policy into a real regional development tool that would provide effective solutions to the European regions. As Delors pointed out at the European Parliament:

*“The Community’s Structural Funds should –provided, of course, that they have sufficient resources- make it possible for the Community to support structural conversion and adjustment projects in regions in difficulty. The Commission aims to reverse the trend toward treating these funds as a mere redistribution mechanism”<sup>20</sup>.*

The strengthening of the economic and social cohesion of the Community was seen by J. Delors as a precondition for the effectiveness of the internal market and the European integration process and as a shield for the potential damaging effects of the 1992 programme on the fragile member states of the Community. In particular, the Commission needed to provide the adequate tools for the structural adjustment of the weaker regions, in order to diminish the risks of a greater regional imbalance in the course of the market liberalisation under the Single European Market.

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<sup>20</sup>Programme of the Commission for 1985, Bulletin of the European Communities, Supplement 4/85, at point 15 (seen in Manzella& Mendez 2009, p. 14).

On the other hand, the accession of Greece, Portugal and Spain increased the population living in the least favoured regions and widen the Community's regional disparities, as Portugal and Spain were the poorer member states. Additionally, the threat of the internal market competition to the already challenging economies of the new member states created the demand of a strong regional policy able to ensure the regional and economic cohesion of the Community (Michie & Fitzgerald 1997, Bache 1998, Wishlade *et al.* 2003).

In this respect, the Commission published the "Guide to the Reform of the Community's Structural Funds", which pointed out the three imperatives that led to the fundamental reform of the Structural Funds in 1988. Firstly, a *political imperative* based on the solidarity of the member states, demanded the European Single Market to be accompanied by actions promoting the overall harmonious development of the European regions. In addition, an *economic imperative* would allow the enhancement of the economic development of the Community, which was inhibited after the Iberian accession. Finally, a *legal imperative* based on the EEC Treaty, demanded a reform to take place in order to ameliorate the efficiency of the Structural Funds and the promotion economic and social cohesion (Loughlin 1997, p. 450).

Despite some reluctance shown from the French and the British governments, the 1988 reform provided the doubling of the Structural Funds' budget so that by 1992 they would account for the 25% of the European budget. Furthermore, the Structural Funds were assigned a number of objectives: "Objective 1" category concerns the developmentally "backward" regions drawing on funds from the ERDF, the ESF and the EAGGF and accounts for less than 70% of the total funds, while "Objective 2" covers the regions with serious structural problems, where the unemployment level is above the EC average, mainly due to the socioeconomic changes in the domain of industry, agriculture and fishery. The European Commission and Council negotiate on the eligibility of this Objective and drawing upon the ERDF and the ESF, it covers the 11% of the total funds. "Objective 3" and "Objective 4" compensate for combating long unemployment and increasing youth employment (ESF) respectively and finally, "Objective 5" covers funds for agriculture and forestry assistance and the development of rural areas (EAGGF, ESF, ERDF). This last category includes regions with high levels of agricultural employment, low levels of agricultural income and other factors like de-population and peripherality (Michie & Fitzgerald 1997, p. 20-21, Mousis 2003, pp. 204-205, Allen 2005, p. 219-221).

As the reformed policy was guided by a regional perspective, the Commission adopted the NUTS system (acronym originated from the French *nomenclature des unités territoriales statistiques*) in order to provide a classification of the territorial units below the national level. The system was based on a five-level hierarchical categorization of different territorial units in the European Community, with the largest being NUTS I, that is sections of a country grouping together basic regions. The level is subdivided into NUTS II, covering the basic regions and NUTS III, NUTS IV and NUTS V include villages and towns. Regarding the implementation of the funds, the NUTS II regions were the ones adopted for the main territorial objectives of cohesion policy (Bache 2010, p. 6).

It goes without saying, that the most significant aspect of the 1988 reform has been the provision of the key elements underpinning the implementation of the structural funds. Since the creation of the ERDF in 1975, it was the national governments that shaped the regional policy within their territory. The national central authorities dominated the process of implementation and the key policies related to the development of the EU Cohesion policy were taken by the Council of Ministers. The purpose of 1988 reform was to provide a European economic instrument that would coordinate Cohesion policy and guide expenditure (Bachtler 1998, p. 646).

Moreover, national authorities were no longer the only level where policy-making on development could take place. The new development paradigm concerned learning regions, small and medium-sized enterprises, industrial districts and social capital, indicating that the regional level ought to be included in the formulation and implementation of Cohesion policy (Leonardi 2006, p. 160). The aim was to co-finance European projects of various levels of government and to improve the intergovernmental coordination and vertical cooperation with regional actors. Hence, the European Commission formed the implementation of the Structural Funds around the following principles: the principle of *concentration*, that provided measures regarding the priority objectives; the principle of *additionality*, meaning that the European funds would be complement to the national funding; the principle of *programming*, for the funds to be allocated in coordinated multi-annual and multi-regional programmes; and finally the principle of *partnership*, whereby cooperation between the Commission and the national, regional and local authorities is desirable in all stages of the preparation and implementation processes (Allen 2005, p.218).



Summing up, the significance accorded to economic and social cohesion in the Single European Act led to fundamental changes in the European regional policy. The 1988 reform stimulated a fundamental step towards European integration, since the new government arrangements guided by the partnership principle underlined the significance of the Community as a polity. According to Bache (2010), the reform clearly presented the Commission's preferences rather than those of national governments, with the principles of partnership and additionality being a challenge to central governments' policy control. In that sense, the upgraded role of the European Commission and the subnational levels of government rejected the old state-centric model of policy-making, reflecting a multi-layered system of governance and enhancing adaptation to the Europeanization of the subnational level.

Summarizing, the gradual evolution of regional policy since the introduction of the IMPs and the introduction of the partnership principle in particular, are considered to have had an immense impact on the EU system of governance. On the one hand, it has been the process that opens up the structures of the nation state to the supranational formal and informal rules and norms, while on the other, it enhanced the institutional capacity and mobilization of the subnational levels of government. Particularly, it is related to the "subnational mobilization" at the European level, in the sense that it has engendered the involvement of subnational actors in the EU policy-making processes (Paraskevopoulos 2001a, 2001b).

Within this political environment, subnational governments try to create linkages with the European institutions, namely the Commission, in order to promote their financial and information resources and to avoid the possible constraints posed by national governments. Specifically, with the partnership principle aiming at promoting the cooperation between elites of all governmental levels on the one hand and networks among public and private/non-state actors at the local level on the other, the creation of cooperative synergies among actors within an intraregional level is linked with "*the outward-looking orientation of local governments, namely their capacity for developing linkages and participating in transnational networks*"<sup>21</sup> (Paraskevopoulos 2001a).

This approach rejects the theory of intergovernmentalism, according to which European integration is understood with regard to the decisions made at the national

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<sup>21</sup>Paraskevopoulos C. (2001a), p. 45

level of government, while other factors inside or outside nation states may play a less decisive role. Instead, with the institutionalisation of the subnational level of government, the national governments' traditional role as "gatekeepers", in Hoffmann's (1966) terms, is challenged, giving space to the administrative structures for close and direct coalition formations between the supranational and the subnational authorities (Pollack 1996, Paraskevopoulos 2001a, Nugent 2003). As discussed in chapter one, the emergence of regionalism and the concept of "Europe of Regions" is attributed to the ongoing globalization of the political economy and could be seen as the response of the traditional European states that adopted devolution and decentralization processes (Paraskevopoulos 2001a). In this respect, academic debate concerning the impact of the Single European Market (SEM) on regional disparities and the redefinition of the role of national and regional institutions has influenced integration theory.

More precisely, the "side-payment" approach is connected with both the effects of the SEM in regional disparities and the intergovernmental theory of the process of European integration. Within the supranational policy-making environment, this argument provides a generally accepted explanation for the increase on the budget of the Structural Funds. The development of European structural policy thus, is interpreted as a process of a continuous side-payment play of intergovernmental negotiations, with a view to acquire the agreement of the weaker member states in other policy areas, such as the completion of the SEM or the enlargement. This approach is further reaffirmed by the fact that the Cohesion Fund tends to provide support not to the poorest regions, but rather to the poorest member states. In this respect, the intergovernmental nature of the EU policy-making and the prevailing role of the national sovereignty in economic policy are further enunciated, giving the nation state its traditional role of the "gatekeeper", compensating national demands and supranational pressures and promoting regional interests (Moravcsik 1991, Paraskevopoulos 2001a, 2001b).

However, with respect to the effects of economic integration on regional disparities, the picture is rather uncertain. Existing evidence suggests that, some regions show greater capability than others in adjusting to the rapidly changing economic and social environment. Therefore, as G. Marks notes, the impact of economic and monetary integration in less developed areas of the Union weakens the "side-payment" approach of intergovernmentalism. Over and above, the "unintended

consequences” of the intergovernmental bargain within the EU policy-making environment should not be overlooked. In particular, despite the intergovernmental nature of decisions, the dynamics of the system cannot be confined to the narrow limits of intergovernmental reductionism. Thusly, regardless of the fact that intergovernmentalism provides a satisfactory explanation of the formal function of the decision-making system in the EU, it fails to capture the system’s dynamics, in which the role of the national state after the economic integration has gradually been replaced by the “voluntarism” of the market and civil society (Paraskevopoulos 2001a, 2001b.).

### **2.1.2 From the Treaty of Maastricht to the Lisbon Strategy and the NSRF 2007-2013**

The completion of the Single European Market (SEM) and the signing of the Maastricht Treaty on the European Union in 1992 initiated a new era for the European Cohesion policy and the European Council entrenched the economic and social cohesion as a pillar of the EU structure, closely linked to achieving the economic and monetary union (EMU). This increased priority of economic and social cohesion in the EU Treaty led to the re-doubling of the European Funds for the 1994-1999 programming period at the Edinburgh European Council meeting in December 1992. The so called Delors II package provided the size of the Structural Funds to be increased from 18.6 bn ECU to 30 bn ECU by 1999, although an agreement on the regulatory packages was made six months later, on July 1993 (Allen 2005, p. 220).

Within the new context, a new structural tool, the Cohesion Fund was introduced in 1992, in order to support the poorer member states in infrastructure projects regarding transport infrastructure and environmental protection and assist them in fulfilling the EMU convergence criteria. Both these areas were considered vital for the completion of the trans-European network and the SEM. Nevertheless, according to the principle of conditionality introduced to the Cohesion Fund, the financial assistance provided by the Fund was to be governed by a programme of economic convergence approved by the Council of Ministers of Finance (ECOFIN). Thus, introduction of the Cohesion Fund came hand in hand with the establishment of a direct link between structural and economic policies at the national level (Michie & Fitzgerald 1997, Paraskevopoulos 2001a, p. 38-39).

Of significant importance has been the creation of the Committee of the Regions (CoR). National governments agreed that the Council of Ministers, the European Commission and the European Parliament ought to consult the CoR on regional matters or on issues including regional or local components. This has been an important institutional evolution, enhancing the role and the position of subnational levels of government in the EU policy-making processes. However, even though the CoR is allowed to forward its opinion to the European Council and Commission in cases considered appropriate, its role is rather informal and has no authority in decision-making processes (Hooghe & Marks 2001). However, it should be stated that the main feature of the reform was the orientation towards strengthening the role of the national state and the subnational government *vis-à-vis* the European Commission.

The First Cohesion Report in 1996 pointed out that the enlargement of the Community from six member states in 1951 to fifteen in 1995 and the increased European population of 175 to 370 million inhabitants were accompanied by an increase in the Community's economic and social diversity and in major differences in unemployment and incomes per head. Indeed, at that time unemployment was the biggest problem of the EU. Despite the economic recovery in the second half of the 1980's, unemployment did not fall under 8% up until 1993 and peaked over 11% in 1995. Moreover, the report emphasized other problems affecting the European cohesion, such as the rapid economic and structural change (affecting primarily rural areas), urban deprivation, social exclusion and various territorial imbalances. All the above affected the regions and local communities of the member states, inhibiting their acceleration path to enter the EMU in 2001 (EC 1996, pp. 21-25, 127-129).

With regard to the content of the 1999 reform, there was a reduction on the priority objectives and the Community Initiatives, along with a cut in the budget allocation. Additionally, a decentralization process in the implementation of the EU funds was initiated and a Managing Authority designated for each programme was introduced. Member states were assigned the responsibility of the content, management, monitoring, evaluation and control of the programmes. The role of the Monitoring Committee was enhanced and each of them was responsible of drawing up its own rules of procedure within the institutional and financial framework of the country concerned, while the Commission would provide advisory assistance in the meetings. The general definition of the principle of partnership remained unchanged,

but was further broadened to include environmental and gender equality organizations (Hooghe & Marks 2001, pp. 83-84, Manzella & Mendez 2009, pp. 16-17).

Moreover, in order to reinforce effectiveness in monitoring and control of the expenditures further regulations were introduced, with the requirement of *ex-ante*, *mid-term* and *ex-post* evaluations of the Community Support Frameworks. In addition, 4% of programme allocations would be given to the member states during the middle of the programming period, based upon financial, management and effectiveness performance criteria, while the n+2 rule was established, that required committed funding to be spent within the first two years (Manzella & Mendez 2009, pp. 16-17).

Overall, the 1999 reform was built upon that of 1993. It aimed in fostering the implementation of the EU cohesion priorities with nationally specific and multilevel partnerships. However, by putting the implementation of cohesion policy at the national government arena, subnational mobilization was weakened. These new rules undermined subnational governments' access to EU decision-making processes and made it difficult for the Commission to communicate directly with regional authorities against the will of national governments (Hooghe & Marks 2001, p. 84).

Within this context, the EU set a new strategic goal consisting of a long-term agenda of reform and modernization at the Lisbon European Council in 2000. The Lisbon Strategy has been a European commitment to overcome the differences in growth and productivity between the EU other global competitors of the time, (namely the USA and Japan) and to assure a competitive knowledge-based economy, capability of sustainable economic growth, greater social cohesion, respect for the environment and most importantly advancement towards a "knowledge society".

The Lisbon Strategy focused on innovation, employment and labour market reform, while sustainable development was added as another overarching objective. One of the most original elements in the way employment was approached was the set of quantitative employment rate targets to be reached by 2010; 70% in overall employment and 60% for women, complemented in 2001 with a 50% target for older workers. In addition, equal opportunities between men and women, and gender mainstreaming in particular, was also a priority of the Lisbon Strategy. The first evaluations revealed certain weaknesses in its functioning, efficiency and results. And serious doubts were raised as to whether or not the 2010 were realistic (DG IPOL 2010).

Thus, the European Commission re-launched the strategy in 2005, subsuming the employment and social objectives under the priorities of growth and jobs, assuming that acceleration in growth would lead to more and better jobs and greater social cohesion. The environmental dimension was set aside and the Employment Guidelines were integrated into the guidelines for macroeconomic policy and structural reforms. However, the effects of the 2005 review have been widely debated and many they argued that the new strategy was a re-orientation towards a narrow quantitative economic growth approach at the cost of qualitative growth including social and environmental dimensions (DG IPOL 2010).

Within this context, the priorities of the Lisbon strategy set in the European Council in 2006 were investing more in knowledge an innovation, unlocking business potential for SMEs, increasing employment opportunities for priority categories, climate change and energy policy for Europe. In addition, the Structural Funds were called to contribute, directly or indirectly, to the Lisbon Strategy. This was already the case during the 2000-2006 programmes, but a specific alignment with the Lisbon objectives was explicitly requested for the 2007-2013 programming period. Specifically, the European Commission requested for the 2007-2013 programming period, each member state to increase the average share of funds devoted to competitiveness at least to 60% in regions falling under the “Convergence” objective, and 75% in the regions falling under the “Regional Competitiveness and Employment” objective<sup>22</sup>.

With regard to the 2007-2013 programming period, reform of Cohesion policy should be viewed under a track of political, social and economic considerations. Firstly, regarding the 2004 enlargement and the accession of ten European countries, a series of important challenges were presented to cohesion policy. The new European map revealed increased regional disparities that provoked a budgetary shift in cohesion policy resources. While it was generally assumed that the accession aid stemming from the use of the structural funds would partially facilitate the enlargement process, there was a disagreement among the old member states on how the upcoming enlargement would impact upon the policy budget, as well as on the allocation of the Structural Funds. However, with the 2004 enlargement being the biggest since the creation of the European Community, it goes without saying that the

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<sup>22</sup><https://portal.cor.europa.eu/europe2020/Profiles/Pages/TheLisbonStrategyinshort.aspx> (accessed on 29/05/2020)

budgetary shift in the funds available for cohesion policy was inevitable (Allen 2005, 2008).

Under the new arrangements, almost all the regions of the new member states qualified for cohesion funding under the Objective 1 criteria (GDP per capita of less than 75% of the EU average). Nevertheless, there was serious evidence that the new member states would lack the capacity of absorbing all aspects of the structural funds entitled to them. These doubts resulted in Commission's decision to set a cap of 4% of the GDP on the total amount of structural funding that any member state can receive. In addition, doubts existed concerning their ability to manage the EU assistance, particularly concerning the subnational levels of government. This was reflected by the incapacity of the new member states to implement the partnership principle and engage to the multilevel governance arena, partly because of the lack of local and regional institutional ability and partly because of the efficient role of their central governments as "gatekeepers" (Allen 2008, pp. 24-25).

The Third Report on Economic and Social Cohesion was submitted in February 2004 and included the Commission's reform proposals for the 2007-2013 programming period. After a two year period of intergovernmental bargaining, on December 2005 the European Council agreed on a 308€ billion allocation (rather than 336€ originally proposed by the Commission). This represented an increase of 11.5% in cohesion policy spending distributed to convergence and transitional regions and a 74% increase in the Cohesion Fund, which would be available to member states with a GDP less than 89% of the EU average. The regulatory package was approved on July 2006 and the overall amount of resources available for the 2007-2013 programming period was set to 347€ billion (Allen 2008, pp. 25-26, Manzella & Mendez 2009, p. 20).

It goes without saying that the four priorities of programming, additionality, concentration and partnership remained the key principles of the implementation process, while measures were taken for the further decentralization of the programming and implementation stages and the improvement and effectiveness of all the phases of the evaluation procedures, including greater transparency and financial accountability. Specifically, the ERDF and the ESF became more focused in terms of programming and financial management and the Cohesion Fund was integrated into programming in order to enhance its effectiveness. Finally, mid-term evaluations became were no longer obligatory, but were replaced by ongoing needs-based

evaluations, that would assess programme implementation (Allen 2008, pp. 26-27, Manzella & Mendez 2009, p. 21).

The 2006 agreement represented the most radical reform of Cohesion Policy since 1988 and introduced a more strategic approach to the EU priorities that were placed at the core of the Lisbon Agenda. The design and implementation of structural programmes was guided by the objective of investing in growth and employment, research and innovation, information and communication technologies and human capital and entrepreneurship. By December 2007, the NSRFs of all member states were approved by the Commission and almost over 300 OPs, representing 96% of the programmes planned for the 2007-2013 period had been adopted.

### **2.1.3 The Europe 2020 strategy**

Given the economic and political context of nowadays, the 2014-2020 programming period was considered to be a significant challenge for the EU Cohesion Policy. On March 2010 the European Commission submitted a 10-year strategy proposal for the economic and social development of the European Union that was presented as a European model of social market economy with a positive environmental dimension. The objectives of the Europe 2020 strategy are representative of the three main priorities of smart, sustainable and inclusive growth (EC 2010):

- the raise from the current 69% to 75% of the employment rate of the EU population aged 20-64
- the investment of 3% of the GDP to R&D
- the 20/20/20 climate/energy target, that is 20% reduction of greenhouse gas emissions (compared to 1990 levels or 30% if the conditions are right), 20% increase of the share of renewable energy resources and 20% increase in energy efficiency
- the reduction at 10% of the early school leavers and the increase to least at 40% of the younger generation having a tertiary degree
- the reduction of the population leaving in poverty, so that 20 million people should leave at the risk of poverty



The most significant point put forward by the Commission after the 2007-2013 programming period came to an end was linking the allocation of the EU Cohesion policy funds to the Europe 2020 strategy targets. In addition, on 7 January 2014, the Delegated Regulation on the European Code of Conduct on Partnership was adopted by the Commission that laid down the criteria for the implementation of the 2014-2020 partnership agreements. The aim was to ensure that member states would set out a common set of standards to ameliorate participation, consultation and dialogue between regional and local public authorities, private actors and non-governmental organisations during the planning and monitoring of projects financed by the European Structural Funds. Moreover, member states ought to ensure the transparency in the selection of regional and local public/private partners to participate as full members in the Monitoring Committees, provide partners with adequate information and time regarding the consultation process, ensure their effective involvement in all stages of the process and improve their capacity building for improving their competences (EC 2014).

The EU Cohesion Policy for the 2014-2020 programming period has been the EU's principal tool in fulfilling the Europe 2020 targets, namely the creation of growth and jobs, climate change, environmental protection and energy efficiency and the reduction of poverty and social exclusion. The 2014-2020 programming period will be the first after the worst recession since the beginning of the European structure in Treaty of Rome in 1950. It is undoubted that the current financial crisis interrupted the convergence process of the EU periphery. The 8<sup>th</sup> Commission Report on economic, social and territorial cohesion that was published in June 2013 revealed that the all increasing unemployment rate, the gradual decrease of the EU GDP since mid-2008, the crisis in construction and manufacturing sectors, the decrease in foreign investment and exports, the increase of the poverty risk, all together constitute the greatest challenges for the elimination of the Union's economic and social disparities and regional convergence and adjustment (EC 2013). The great European challenge has been to provide a steady return on dynamic growth, especially for the less developed regions and to ensure the economic and social cohesion of the Union.

Overall, the evolution of the European Regional Policy has constituted a rather enduring challenge for the well-established administrative structures at both national and subnational levels and altered the governance structures across the EU member

states. The section that follows examines the dimension of Europeanization and the way it impacted upon the subnational levels of government governance.

## **2.2 Europeanization and Multi-Level Governance: definitions and challenges to government structures**

The process of the EU enlargement is widely understood as one involving the term “Europeanization”, that is the transmission of the EU regulatory norms and practices into the governance systems of the EU member states. Often used as a means of explaining institutional and domestic change in EU countries at large, Europeanization is considered a powerful mechanism within the academic studies of the South and Central East European periphery, since it is closely linked with the post-authoritarian transition in these countries. As defined by Radaelli the concept of Europeanization refers to:

*“processes of (a) construction, (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things”, and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures, and public policies”<sup>23</sup>.*

The above definition focuses on the process of change, where Europeanization comprehends the assimilation of EU policy norms into the domestic structures of the nation states. Schimmelfenning and Sedelmeier (2005) also argue that Europeanization concerns a procedure of institutional change of national policies and politics, caused by policy outcomes at the European level and by national adaptation to European standards and practices.

Within the context of public policy, Europeanization is conceived as a process that brings institutional adaptation in response to the EU norms and practices on the one hand, and on the other, as a process by which domestic policies are transferred up to the EU level and become part of the collective EU policy-making (Paraskevopoulos

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<sup>23</sup> Radaelli (2003), p. 30

& Leonardi 2004, Paraskevopoulos *et al.* 2006). This dualism reflects two different approaches to the study of Europeanization. During the first decades, studies on European policy-making used to adopt the bottom-up approach, according to which member states delegated their power and sovereignty over their policy design and implementation to EU bodies, namely the European Commission. This approach implies that European institutions constitute the dependent variable upon which nation states impact during the process of European integration. On the contrary, during the past two decades, interest has shifted to the top-down approach, that includes the impact of European norms and practices on the power of the state *vis-à-vis* the internal political system. In contrast to the bottom up approach, the role of the EU Commission relies on the oversight of policy implementation, alongside the national states. However, whether a study concerns policies, politics or polities, Europeanization crucially affects the structures of member states and domestic institutional infrastructure is a key feature of both approaches (Paraskevopoulos 2012, p. 8).

In this respect, focusing on differential mechanisms through which Europeanization affects national structures, Börzel and Risse (2000, 2003) argue that there must be some degree of “misfit” or “mismatch” between domestic and European structures. This approach, named the “*goodness of fit*”, determines the degree of adaptational pressures that the EU poses to member states. With this regard, the authors construct the “misfit hypothesis” as follows: “*the lower the compatibility between European and domestic processes, policies and institutions, the higher the adaptational pressures*”<sup>24</sup>, suggesting that Europeanization has an effect on member states only if there is a mismatch between EU demands, principles and treaties and member states’ political, social, economical, cultural and institutional *status quo* (Börzel & Risse, 2000, 2003, Sturm & Dieringer 2005). In fact, if European rules and norms are totally compatible with the domestic ones, there exists no problem of compliance and adaptation, and therefore, Europeanization poses no constraints nor offers opportunities that would lead to a redistribution of resources and the empowerment of domestic actors. Given that Europeanization is conceived as a system of continuous interactions between European rules and regulations and national policy structures, what the misfit approach implies, is that the better the

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<sup>24</sup>Börzel T. & Risse T. (2003), p. 61

“goodness of fit”, the weaker the adaptational pressures for the domestic institutional structures.

Within this framework, two types of misfits are distinguished: on the one hand, Europeanization may cause *policy misfits* between EU rules and national policies, leading to compliance problems. As national policy goals, standards and instruments are challenged by EU regulations and member states are faced with high adaptational pressures, the latter “upload” their policies to the European level, in order to comply with the European norms. On the other hand, Europeanization may lead to *institutional misfits* that challenge domestic procedures and collective understandings attached to them. In that way, domestic institutions are challenged, as the European distribution of powers may favour some domestic actors instead of some others, and collective understandings of national identities might be threaten. This type of misfit, however, is indirect and its impact is rather long-term and incremental (Börzel & Risse 2000, pp. 8-9, 2003, pp. 61-63). Thus, the misfit hypothesis draws upon historical institutionalism regarding the “stickiness” of deeply embedded formal and/or informal institutions that increase the level of adaptational pressures and hinder institutional change.

In this respect, *policy* and *institutional misfits* constitute only a necessary condition for domestic change. The degree of their impact lies upon other factors that determine adaptation and constitute the “sufficient conditions” of domestic change. Within new institutionalism, two mediating mechanisms are identified that produce policy and institutional change as a response to Europeanization. The first draws upon the rational choice approach and is based on the *logic of consequentialism*. Specifically, this approach focuses on the redistribution of resources and the differential empowerment of domestic actors. It implies that actors at all levels of government plan their strategies using their resources to maximize their capacities and influence *vis-à-vis* other actors’ behaviour. Within this logic, two important mediating factors take place that influence actors’ capacity for action and therefore domestic change: firstly, the presence of *multiple veto points* may help different actors avoid the constraints posed by Europeanization and thus impede domestic change. The redistribution of resources across national political systems may obviously inhibit consensus building among actors, making it difficult for them to achieve adaptation. Hence, the number of institutional veto players influences actors’ empowerment and subsequently their capacity to produce change. This capacity, however, is determined

by the existence of *formal institutions* that provide actors with the necessary tools that would help them exploit the new opportunities offered by the EU. Lacking the institutional capacity, domestic actors may not be able to deploy additional European resources and respond effectively to the adaptational pressures. This factor is of great importance for regional actors, as it helps them “by-pass” central government’s intermediation and build direct connections with the European Commission (Börzel and Risse 2003, pp. 63-65).

The second mechanism is based upon sociological institutionalism and the *logic of appropriateness*, which comprehends the collective understandings that guide actors’ strategies. This viewpoint suggests that Europeanization is understood as a source of new norms and values, which member states have to incorporate into their domestic structures. Through the *logic of appropriateness*, actors are exposed to new ideas and practices and redefine their collective identities. Hence, the less EU social norms and practices fit with the domestic ones, the higher the adaptational pressures for the member states. The factors determining the internalization of these new norms into the domestic logic and promote the development of new identities are the presence of change agents, or *norm entrepreneurs*, that mobilize at the domestic level and try to influence actors’ interests, appealing to moral arguments. These agents are primarily epistemic communities that provide scientific knowledge and try to influence policy-makers in particular issue-areas, and also advocacy issue networks that base their impact on shared norms and beliefs that could persuade actors redefine their objectives. In addition, the existence of *informal institutions* that enhance cooperation and consensus building allow domestic structures to overcome the multiple veto points and accommodate the pressure for adaptation, by using the mechanisms of learning, arguing and socialization in order for member states to internalize the new norms and practices that Europeanization brings about (Checkel 2001, Börzel & Risse 2003, pp. 66-69, Paraskevopoulos & Leonardi 2004, pp. 318-319).

The very recent academic literature on Europeanization takes into consideration the changing nature of European governance as well as the wider political and financial environment within which it occurs. With this regard, Leontitsis and Ladi (2018) develop and analyse two different mechanisms of the Europeanization process. On the one hand, coercive Europeanization takes place when European institutions impose change, by requiring member states to adapt to EU directives and regulations

rather than suggesting doing so. This mechanism entails the notion of “strict conditionality” and has been the case of the EU negotiations with the Central and Eastern Europe countries, where the European institutions enforced various reforms to the prospective new member states using the chance of membership, and the imposition of surveillance mechanisms to a number of member states that signed bailout programmes during the Eurozone crisis. On the other hand, the authors distinguish the mechanism of de-Europeanization, which relates to the process leading to significant divergence between the EU norms, policies and regulations and the national policies that have been designated. This mechanism relates to negative Europeanization and entails the possibility of disintegration in the case where divergent policies are shared among member states pushing towards the dismantling of the EU. The adoption of the new constitution in Hungary in 2011 that included a number of anti-European provisions, such as reductions in the independence of the judiciary system and in the minorities’ rights, and the deviation of many member states from the Common European Asylum System during the most recent refugee crisis constitute cases where de-Europeanization can be detected (Leontitsis & Ladi, 2018).

The question raised though, is “where do all the above mechanisms lead?” Countries tend to absorb the new European norms and ideas, without changing their existing policies and institutions, but rather readjusting them. Or they may “accommodate” Europeanization and respond to European pressures by adapting their processes and institutions, but without abandoning the specific characteristics and the collective identities attached to them. Finally, Europeanization may result in the total transformation of the national policies and politics, by altering all domestic procedures and replacing them with the European ones. This last outcome involves the highest level of change (Börzel & Risse 2000, p. 13). Further on this, Radaelli (2000) also adds the lack of any change, what he calls inertia, when member states refuse to incorporate EU norms and practices into their domestic structures, finding them dissimilar with their national policy style. However, the author argues that the outcome of inertia is usually crisis and abrupt change (Radaelli 2000, p. 14).

Within this framework, it is derived that Europeanization impacts upon different institutional domains, but its outcomes vary. Relevant research demonstrates that the EU has provided member states with regulations that help them achieve policy convergence, but the latter have been left autonomous in selecting the means that

would ensure compliance. Convergence does not exclusively mean change in domestic structures and institutional change does not entail rejection of the previous pre-existing administrative styles and norms. No matter the degree of policy and institutional misfit and irrespectively of the adaptation pressures that countries are facing, it is argued that every member state has its own institutions and factors that facilitate or inhibit domestic change. Hence, there is variation in the way countries and regions respond to the adaptational pressures of Europeanization, bringing about different outcomes. These variations explain the “partial convergence”, where some countries produce similar convergence elements in policies and institutions, while others do not (Börzel & Risse 2000, pp. 14-15).

In this respect, Europeanization is conceived as a long-standing challenge to the policy structures and the domestic institutional capacity of member states. Hence, it is part of the incremental adjustment of the post-accession period and constitutes a positive external shock for promoting institutional change at the domestic level of governance. In many south and central east European countries, Europeanization is closely linked to the post-authoritarian period and is associated with the processes of modernization. Still, the notion of Europeanization is closely related to the *problématique* of the EU governance, particularly to the challenge faced by national states to adapt their domestic policies and structures to the EU multi-level policy-making environment (Paraskevopoulos 2012). G. Marks defines multi-level governance as

*“a system of continuous negotiation among nested governments at several territorial tiers - supranational, national, regional and local - as the result of a broad process of institutional creation and decisional reallocation”<sup>25</sup>*

Within the multi-level governance structure, the participation of supranational and subnational actors, as well as interest groups, is of great importance in shaping decisions of the European Commission. However, this definition does not reject the idea that national political arenas are also important in policy-making.

The multi-level governance type was further developed with the introduction of the principle of partnership that challenged the control of central governments, especially in the unitary states (Bache 2004, pp. 165-166). Particularly, the EC regulation required

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<sup>25</sup>in Bache & Flinders (2004) p. 3, Jordan (2001) p. 196.

*“close consultation between the Commission, the member states concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal”<sup>26</sup>.*

The multi-level governance model developed by Marks *et al.* (1996) confronted the core elements of state-centrism, where state executives were the ultimate players in decision-making procedures and supranational institutions, when they arise, serve the specific goals of the national governments. On the other hand, multi-level governance, although it does not reject the idea that state executives and national arenas are important, it assumes that decision-making competences are not monopolized by national authorities, but they are rather shared by actors at different levels -including subnational governments and interest groups- that participate in diverse policy networks. Thus, subnational actors operate in both national and supranational level, creating transnational associations within this process (Marks *et al.* 1996).

In this perspective, domestic and international politics interrelate and state actors, although remaining an integral and important part of the EU policy arena, rather than monopolize, they share control over decision-making activities that take place within their territory. However, Marks *et al.* (1996) argue that multi-level governance is not a threat for national sovereignty, but rather policy is now implemented in a complex multi-level play where national leaders cooperate with European and regional and local actors. Indeed, the notion of multi-level governance affirms that national and regional actors cooperate with each other in both national and supranational arenas - that is principally with the European Commission- leading to the development of various transnational coalitions (Hooghe & Marks 2001, pp. 3-4).

Marks and Hooghe (2005) claim that, because policy externalities arising from the provision of public goods vary immensely, governance must operate in multiple scales so as to effectively capture these variations. This appears to be the core argument for multi-level governance. In a similar vein, Piattoni (2011) identifies multi-level governance as an expression, which indicates

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<sup>26</sup> Regulation (EEC) 2052/88, in Bache I. (2004) *“Multi-level Governance and the European Union Regional Policy”*, in Bache I., Flinders M. (2004), *“Multi-level Governance”*, Oxford University Press



*“the complex processes through which binding decisions are made and implemented by several levels of government and by non-governmental organizations, such as functional interests, civil society organizations and voluntary associations”<sup>27</sup>.*

Bache (2008) identifies three key elements of multi-level governance. First of all, decision-making is no longer an exclusive jurisdiction of the central state, but is shared among actors at different levels of government. Secondly, collective decision-making procedures lead to a high degree of loss of control of state executives. Finally, subnational actors are invited to participate in national and European political arenas, creating transnational interconnections and associations (Bache 2008 p. 8). Moreover, it is important to notice that, according to Bache, within the multi-level governance approach, while institutions define the structure of authorities within a specific territory, it is the political actors that participate in this structure that shape them and thus, have the power to change them. As such, the emphasis on actors' participation in decision-making is crucial for the understanding of institutional change.

Studying the process of Europeanization and multi-level governance, special emphasis is given to the European integration procedures on the one hand and the domestic institutional structures on the other. What still remains an issue of controversy is the degree of Europe's impact upon domestic levels. In that way, intergovernmental approaches argue that Europeanization reinforces the national power *vis-à-vis* supranational and subnational actors. On the other hand, theories drawing upon the rational institutionalist approach stress that European policy offers to subnational actors a range of opportunities and resources, enhancing subnational mobilization and leading consequently to the weakening of the national state. Both approaches admit that Europeanization produces complex policy networks in which actors participate in a multi-level policy arena. However, they undermine the diversities in regions' response to Europeanization and the new opportunities offered and the fact that policy networks are not stable, but they are determined by a variety of differentiations. This variety concerns the internal differentiations of collective actors, the differentiation of policy-making in different levels, as well as differentiations between the decision-making area on the supranational level and the implementation arenas within the states and regions (Getimis 2003, p. 81-82).

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<sup>27</sup>Piattoni S. (2011), p. 28

As noted earlier, it is widely accepted that Europeanization is not a homogenous, but a rather interactive process that leads to the creation of differentiated policy structures. Another important aspect added to this, concerns the centre-periphery relations in each member state. It refers to the domestic models of interest intermediation between national and regional tiers of governance, which can be confrontational or consensus oriented, determining the substance of formal network-building at the regional level. What is meant by this is that partnership in member states with tradition in negotiation, cooperation and social dialogue, either within formal or informal arrangements, has promoted cooperation between private and public actors and successful creation of institution-building. On the other hand, in countries with lack of a consensus oriented model of governance, with no tradition in negotiation and bargaining, regions are found incapable of building strong and comprehensive networks of local institutions and they tend to fall under the influence and the control of the central state (Getimis 2003, p. 82-83).

This evidence is further confirmed by a research on the partnership principle, funded by the European Commission. In their study about the operationalization of the partnership principle in member states, Kelleher *et al.* (1999) found that the pre-existing distribution of power within member states definitely leads to differentiated outcomes of the partnership principle's impact. They argue that in member states with long tradition in decentralization and "power-sharing", such as Germany, European Cohesion policy has further reinforced partnership formations. On the contrary, in countries with no or little experience in partnership, the partnership regulations for the Structural Funds were a challenge for central governments. The research identifies though five common features that determine the impact of the partnership principle across member states:

*"a) the importance of pre-existing partnership experience b) the "learning mechanisms" through which the experience is transferred c) the importance of institutional traditions within member states and the ways accommodation has been sought with Structural Fund programme d) a common tendency towards decentralization, reflected in the partnership composition, and finally e) evolution and sometimes dilution of pre-existing established*

*corporatist governance models, which can be associated with the withdrawal of the existing partners*”<sup>28</sup>.

Thus, by decisively pioneering administrative restructuring procedures within the member states, Europeanization is an independent variable that challenges the well-established pre-existing structures, in both national and subnational levels and offers a range of opportunities for institution-building and the improvement of actors’ capacities. Within the structures of multi-level governance, regional and local administrative structures are being challenged and increasingly affected by the interactions with the supranational level. However, it becomes evident that pre-existing structures matter, determining the degree of adaptational pressures and thus facilitating or inhibiting domestic change. Hence, various and different types of institutional changes may occur in regions and member states. Following historical institutionalism, change occurs not only in accordance with existing institutional formats, but past choices restrict subsequent action. Thus, institutional change is path-dependent, in the way that the development of new choices is determined by the past ones (Pierson 1998). The identification of domestic forces and peculiarities in national and local social and political traditions is considered an important prerequisite for the examination and evaluation of the degree of change in regional institutional structures.

Within the European Cohesion Policy environment, characterized by a high degree of interaction between actors on supranational, national and sub-national levels, regional and local governance systems are significantly affected by the linkages at the EU institutions and by the way in which they take advantage of these links. Along these lines, specific domestic quality characteristics of institutional infrastructure at all levels of government constitute a key criterion of the degree of adaptation to the European conditions and hence of the improvement of the efficiency in policy implementation.

Nevertheless, taking into account the complicated nature of multi-level governance within which adaptation occurs, as well as the pluralist character of the EU policy-making structures, the level of adaptational pressures facing domestic institutional structures in order to comply with EU public policy regulations is

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<sup>28</sup>Kelleher J., Batterburry S. & Stern E. (1999), pp. 11-12

extremely high, especially in centralised and unitary member states. Still, as noted earlier, the level of adaptational pressures, although necessary, does not constitute a sufficient precondition for institutional and policy adjustment. The latter is significantly subject to the presence of specific endogenous institutional features that facilitate or inhibit the process of adaptation. In other words, although Europeanization and multi-level governance are considered key processes through which institutional change and domestic structures' transformation takes place, it is the pre-existing internal norms and features of national and subnational levels of government that determine adaptation (Jeffery 2000, Börzel & Risse 2000, 2003, Paraskevopoulos & Leonardi 2004, Paraskevopoulos 2012).

With this regard, the Europeanization process closely links to the Quality of Government theory and its intrinsic elements of corruption, trust and impartiality that are considered to influence administrative performance and state's capacity and relate to domestic institutional adaptation and change. Within this framework, Europeanization is considered the independent variable that impacts upon the domestic structures and QoG constitutes the institutional feature and the crucial intervening variable determining the degree of institutional and policy adaptation.

### **2.3. Quality of Government and institutional adaptation within the process of Europeanization**

Recent literature highlights the importance of Quality of Government for economic and social growth. It has been found that low quality of government in lagging EU regions constitutes an obstacle to regional development, by undermining the regional potential for innovation (Rodriguez-Pose & Di Cataldo, 2015). In addition, a study carried out by Rodriguez-Pose and Garcilazo (2013) identifies the determinants in assessing the role of Cohesion policy expenditure and underlines the QoG and the correlation between the two. The results of the study point out that Cohesion policy expenditure had a considerable impact on GDP growth and in regions that received great amounts of funding the higher the QoG, the greater the impact. The authors also conclude that low QoG constitutes an impediment that

cannot be overcome by increasing funding and that improvement in QoG is a necessary condition for Cohesion policy to have its full impact.

According to the latest reports on economic, social and territorial cohesion, the European Commission regards good governance and efficient institutions as a prerequisite for strong and solid economic and social development and suggests that countries and regions that stick in a low-growth, low-institutional quality equilibrium need a shock to move forward. Moreover, the reports underline the importance of strengthening institutional and administrative capacity and improving the quality of legislation as a necessary condition for fostering economic growth and employment (EC 2014, 2017).

A wide range of indicators in EU regions indicates that low QoG hinders social and economic development and impacts negatively on Cohesion policy. The European Commission does not equate a low QoG system with corruption, although it is part of it, but regards it as a system that involves slow decision-making processes, short-term electoral gains, the lack of long-term policy strategies and the frequent changes in policies and priorities. All these factors tend to limit the impact of Cohesion policy. Specifically, low QoG affects Cohesion policy both directly and indirectly, by reducing expenditure, if programmes fail to absorb the funding available, and resulting in less coherent strategies for countries or regions. Additionally, it may result in low leverage effects since the private sector will be less willing to co-finance investment (EC 2014, p. 172).

The most complete quantitative research in the Quality of Government agenda has been offered by the EU funded Report for the Directorate General Regional Policy *Measuring the Quality of Government and Subnational Variation*, which was published in December 2010. The report emphasizes on the importance of the Quality of Government in economic and social development. The research team that conducted the report argue that although the 27 EU member states record high levels of QoG compared with other world regions, there is significant variation between the EU countries. Moreover, they argue that a large number of EU citizens have experienced corruption and discrimination, but the share of those confronted with such issues is bigger in some regions. Under this scope, the report provides data for all 27 EU creating an index of a 34000 EU responders' survey, the largest to date. Moreover, it points out that the adoption of high transparency policies by the public authorities resulted in positive effects for QoG (EC 2010).

However, as argued by the authors, these factors are not sufficient for improving a region's QoG and need to be complemented by the development of civil society organizations, such as professional associations and NGOs, in order to improve institutional infrastructure. Furthermore, the study revealed that regions with low levels of bureaucracy tend to be more flexible in decision-making practices and thus they rank on the top of the QoG level. The same goes for regions with high levels of administrative autonomy. In addition, the report finds out that those public authorities that follow private sector practices, namely flexible and quick administrative procedures, lead regions to high QoG levels.

In their studies, Charron and Lapuente (2011, 2013, 2015, 2018) address the question of the subnational divergence in the quality of government. Exploring differences among regions in control of corruption, government effectiveness and impartiality, they argue that rather than cultural values, it is historical factors that determine the contemporary QoG. By collecting and correlating a large number of political, socio-economic, cultural and historical variables from regions across the European Union, the authors identify significant variations in how citizens from different regions understand the impartiality and lack of corruption of the public services. Their arguments are in accordance with the results of the European Commission's reports according to which QoG matters for regional development across the EU and the institutional dimension should become an integral part in development strategies. The importance of QoG on the above studies lies on the re-orientation from particularistic to universalistic institutions and policies at large. With this regard, it crucially affects the outcome of redistributive policies, such the cohesion policy, and accounts therefore for cross-country and cross-region variation (Rothstein 2011). Moreover, the way in which national regulations are implemented varies among regions, reflecting variation in the efficiency of regional authorities. Institutional capacity affects the achievement of long-term policy objectives as well as the ability to implement structural reforms that can enhance social and economic growth. Where the capacity to implement cohesion policy strategies is weak, policies fail to achieve their objectives. Hence, this variation is important to take into account when assessing the QoG in relation to cohesion policy outcomes (EC 2017, p. 161).

Hence, within the framework of Europeanization, given that partnership formation is considered a prerequisite for institutional change and that trust is an important element of coalition building, QoG constitutes a crucial intervening

variable that determines institutional adaptation and hence affects the pace of the Europeanization. In this respect, the central hypothesis of the research is formulated as follows:

- The capacity of regional governments to adapt to the process of Europeanization is determined by the quality of government at the domestic level.

Two subsequent theoretical propositions derive from the central hypothesis. Firstly, following the new institutionalist approach, within the processes of institutional reform, actors reach an agreement on a new set of institutions only when these reforms make them better off. However, they face a choice among different possible outcomes of the institutional reform in terms of distributive issues. Thus, the “normative beliefs” are central on the process of institutional reform where an agreement between actors is required, since they are crucial components of shared understandings that make coordination and cooperation possible. In the absence of a common ground on such beliefs, institutional reforms raise disagreements on distributive issues, which are difficult to resolve. In addition, taking into account the fact that one of the most important functions of the institutions is the formation of actors’ preferences, the latter is conditioned by the character of the domestic pre-existing institutional infrastructure, in this case the level of QoG (Hall 2009). This assumption relates to the fact that institutional capacity crucially affects the policy performance and the attainment of policy objectives, as well as the capacity to conduct reforms. In this respect:

- Low levels of QoG lead to low levels of institutional and policy adaptation.

Moreover, as the discussion in Chapter 1 pointed out, trust provides the conceptual tool for the resolution of collective action dilemmas and plays a key role in facilitating coalition-building and the common grounds of the “instrumental beliefs”. The latter are fundamental in limiting the level of uncertainty of institutional reforms and are considered crucial for coalition-building (Hall 2009). With this regard, and given that low QoG erodes trust, a third hypothesis is formulated:

- Low levels of QoG lead to low levels of institutional trust, thus limiting the participation of actors in policy-making procedures.

## Conclusion

European integration has been an issue of great concern for scholars and researchers. By challenging domestic institutional structures, the Europeanization of Cohesion policy has opened up the path to institutional restructuring, especially for regions with poor institutional infrastructure. However, it goes without saying that, Europeanization is not a change itself. Its impact varies across time and space and it is measured and determined by the peculiarities of nation states. Although it is considered a crucial process in transforming domestic systems of governance and producing institutional change, pre-existing features of institutional infrastructure at both national and subnational levels of governance determine the degree of adaptation. Thus, both Europeanization and multi-level governance are taken so far as a good reference point in explaining institutional adaptation.

On the other hand, academic debate on the quality of government theory elucidates the key indicators that are determinants for promoting or inhibiting domestic institutional and policy change. In this respect, a direct linkage between institutional approaches to Europeanization and the quality of government theory has been established. Indeed, quality of government is considered to be a key concept in the study of the Europeanization process of domestic institutional structures because of its role in facilitating or inhibiting domestic institutional change.

This Chapter offered the historical evolution of the European Cohesion Policy and addressed the theoretical aspects of Europeanization and multi-level governance, which constitute the core foundation of the research. Moreover, the Quality of Government has been identified as the intervening variable between the Europeanization process and institutional adaptation, leading to the formulation of the hypotheses of the research.



## **Chapter 3**

### **Methodology**

#### **Introduction**

This Chapter reviews the methodological approach used in order to provide an answer to the research question, namely why is there variation in institutional performance between EU regions, and test the hypotheses rose in the previous section. It includes the research methodology of the thesis and outlines the reasons for the choice of the two case studies, the methods of data collection and the research process, the analysis of the data as well as the limitations of the research.

#### **3.1. Methodological approach**

The research is based on a comparison between two regions. Comparative public policy suggests that the introduction of comparison into the study of public policy enables researchers to expose the degree of choice that might be bounded by institutions, economical features, social and political culture (Feldman 1978). This research method enables a thorough insight and a better understanding of the factors and set of institutions that bring about different policy and institutional results (Schmitt 2012). It is assumed though, that depending on the objectives and structural specificities of each case study, there are different patterns of Europeanization. Within the present thesis, comparative public policy helps explain why or under which conditions some regions perform better than others in institutional and policy adaptation. The use of comparison into the analysis of the Europeanization of Cohesion policy is expected to help us identify and expose the parameters that

facilitate or inhibit domestic change, be it institutions, political and social culture or social relations of each country. Thus, a comparative analysis is expected to offer a valuable insight into the nature of Europeanization and its level of dependency on national characteristics. Following that way, the comparative analysis of two case studies is expected to help us validate the overall assumption that Europeanization is not a unique process and institutional adaptation is measured based on the dynamics of domestic pre-existing features.

In order to test the research hypotheses, the thesis adopts the comparative case study approach as the most appropriate methodological tool allowing the identification of the possible variation in the process of adaptation. This approach allows analyzing and synthesizing the similarities, differences and patterns across the two case studies that share a common goal and to understand why some regions perform better than others in the implementation of cohesion policy interventions. By using statistical data, surveys, interviews and official documents, this approach enables an in-depth analysis of complex variables, such as quality of government and social and institutional trust, which are particularly useful for understanding how the domestic institutional context influences the success or failure of the cohesion policy programmes and initiatives. In addition, within the system of European Cohesion policy, which involves interactions between different levels of government, the comparative case study approach allows a thorough investigation of interactions among actors, as well as between formal and informal structures.

### **3.2 The choice of the cases**

Greece and Portugal have been widely used in academic literature as comparative case studies for a number of reasons. The two countries share various similarities regarding their historical, political, social and economic trajectories. Numerous economic and political science researches select Greece and Portugal as comparable case studies since they fall into the same group of nations regarding social and economic policy. After transition from the authoritarian rule, the two countries followed a similar pattern of democratic consolidation regarding economic modernization and social mobilization.

Greece and Portugal belong to the southern European cluster distinguished for a distinct administrative structure derived from the Napoleonic tradition. Sharing certain historical, socio-economic and cultural similarities, the framework of public administration in the two countries is characterized by a highly centralized and hierarchical organization, a culture of legalism, political accountability of the public bureaucracy and corporatist state-society relations. These conditions are often combined with institutional weaknesses of the administrative structure, that is to say clientelism, political patronage, politicization, informal agreements and/or low institutional capacity (Lampropoulou, 2017).

The above similarities of the countries' administrative heritage have also been followed by similar organizational structures. Greece and Portugal have a unitary and decentralized system of governance. Greece has three tiers of government, namely central, regional and local, while the Portuguese administrative structure includes direct and indirect state administration and autonomous bodies, with the main administrative levels being divided into regions, inter-municipal communities, communities and parishes. The main sub-national government tier in Portugal is the inter-municipal associations, which are allowed to make full use of their constitutional responsibilities with regard to the implementation of the Structural Funds, but they do not have their own source of revenue and they depend on central government transfers (Lampropoulou, 2017).

Considering the authoritarian dictatorships of Greece and Portugal, transition to parliamentary democracy in the mid 1970s coincided with a period of economic recession. Challenged with the hostility of their socialist governments to the upcoming neo-liberal privatization in a short period of time, trade liberalization within the European Economic Community became a priority for both countries, although their economies lagged far behind the other western European member states. Nevertheless, accession to the European Community in the 1980s was followed by a major increase in the Structural Funds, designed to support the weak and poor regions of Europe and resulting in having a positive influence on the economic development in both countries. Consequently, the modernization of their backward economies and public administration was a crucial task for the new democratic states during the first decades after transition (Kickert 2011, pp. 804-806).

Further on this, economic development in Greece and Portugal has been promoted through practices of patronage of certain sectors of the industrial and business

environment, since the state has been involved in public ownership in many business corporations. Benefiting from corporate governance and clientelistic practices, the upper classes and modernizing elites were attached to the intervening state and the political parties alternating in power. The presence of clientelism at the upper echelons of public administration has led to the absence of a European administrative elite in both countries, which is related to the lack of impartiality in the hiring of civil servants. Thus, even when attempts to construct meritocratic administrative elites took place (e.g. through the creation of national schools of public administration), civil service's elites and public sector unions resisted losing their privileges and were not keen on rationalizing the bureaucratic structures or promoting administrative reform (Sotiropoulos 2004).

Lastly, the two states have long been characterized by similar state-society relations, satisfying numerous social interests from upper and middle classes, through the uneven distribution of the public sector resources. Admittedly, these bureaucratic characteristics have been closely interrelated and in both countries and endured at least until the outbreak of the recent financial crisis.

With regard to the socio-economic structures, Greece and Portugal also share a number of similarities. Specifically, Greece's economy has been traditionally based on agriculture. The sector represents 3.7% of GDP and employs 11.9% of the labour force. The main crops are tobacco and cotton<sup>29</sup>. In addition, the country has an important sheepherding and fishing industry (in the coastal regions). As a result of the country's diversification of the economy, industry has replaced agriculture as the second source of income after services, accounting for 15.3% of GDP and employing 15.3% of the labour force. However, its share was higher (20%) before the economic crisis of 2007<sup>30</sup>. The main sectors are electronics, transport equipment, clothing manufacturing and construction. Moreover, the shipping industry is a crucial element of the Greek economy since ancient times, as it accounts of 4.5% of the GDP and employs about 4% of the total labour-force. Indeed, the Greek-owned maritime fleet is the largest in the world, accounting for 18% of the world's fleet capacity. On the other hand, manufacturing is underdeveloped compared to the EU average and the construction sector that played a crucial role in development during the previous

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<sup>29</sup><https://www.nordeatrade.com/fi/explore-new-market/greece/economical-context> (accessed on June 3rd 2020)

<sup>30</sup> Ibid.

programming periods, has shrunk significantly, mainly due to the financial crisis (EC, 2016a, DG REGIO 2011a, p. 10-11). The service sector accounts for 72.9% of GDP and employs 68.9% of the labour force. Tourism provides an essential source of income and contributes to 17.1% of GDP<sup>31</sup>.

In Portugal, the agricultural sector comprises around 2.1% of the country's GDP and employs 6% of the active population. The main crops produced include cereals, fruits, vegetables and wine. Mining and in particular copper and tin, represents a good part of the country's GDP, with Portugal being one of the largest marble exporters. The industrial sector employs 24% of the labor force and contributes to 19.2% of Portugal's GDP. Furthermore, modern Portuguese manufacturing industry is dominated by small and medium-sized companies, with the main sectors of activity concerning metallurgy, machinery, electronics, electrical and mechanical engineering, textiles and construction. The manufacturing sector alone contributes to 12% of GDP (EC 2016b, DG REGIO, 2011b, 2010). Portugal has increased its role in the European automobile sector and has an excellent mould manufacturing industry. Information technology and bioengineering are also growing. Finally, the services sector comprises 65.3% of GDP and employs nearly 69% of the active population. Alike Greece, tourism in particular is an important and increasing part of the Portuguese economy, growing by 8% in 2018 and offering employment to over 21% of the workforce<sup>32</sup>.

However, even though Greece and Portugal have been implementing EU Cohesion policy programmes and Structural Funds for over 30 years, their economic development has not been analogous to the major EU funding flows. Indeed, despite the significant development that both countries enjoyed after joining the European Community, with widespread investments in industry and heavy infrastructure taking place, the period of growth was not accompanied by policies or programmes that would tackle structural problems and eliminate regional disparities. Instead, since 2008 Greece and Portugal followed a significant degradation of national competitiveness. Particularly, the 2007-2013 programming period coincided with a great and long-term recession that was the outcome of the global economic and financial crisis. The crisis exposed the countries' long-term weakness of economic

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<sup>31</sup>Ibid.

<sup>32</sup>[https://www.nordeatrade.com/fi/explore-new-market/portugal/economical-context?vider\\_sticky=oui](https://www.nordeatrade.com/fi/explore-new-market/portugal/economical-context?vider_sticky=oui) (accessed on June 3<sup>rd</sup> 2020)

competitiveness, hitting Greece and Portugal more severely than any other EU member state and both countries had to undergo similar austerity and structural reforms.

Under these circumstances, Greece and Portugal were both bailed out by rescue packages from European partners and the IMF. At the start of the programmes, both countries were facing similar economic challenges including the increased debt and a high current account deficit. The programmes called for austerity measures and structural reforms to restore their competitiveness and enable them to quickly return to the capital markets (EC 2016a, 2016b).

### *Selection of the two regions*

Being a regional case study research, the thesis is based on a comparison between the capital regions (NUTS II level) of Greece and Portugal, namely the Regions of Attica and Lisbon, which have been selected for various reasons.

First of all, the two Regions are the main metropolitan regions of their countries, with Athens and Lisbon being the capital cities and the governmental, financial and commercial centres of the respective countries. They are characterized by high population density and their inhabitants account for almost 30% of their countries' population. The majority of their regional economies is based on the tertiary sector and much less on secondary and primary sectors. In addition, both regions constitute the most important contributors to their national GDP and are the main exporting gates of their countries with a continuous potential for growth<sup>33</sup>.

Furthermore, both regions have shown significant growth rates during the past decade, mainly attributed to the mass influx of Structural Funds, but also to the indigenous growth stemming from increased rates of consumption and investments favoured by low interest rates after accession to the Eurozone. In Attica, great infrastructure investments took place in view of the Olympic Games in 2004, which triggered further development in the areas of industry, tourism, transport as well as increase in employment rates. Similarly, Lisbon showed significant economic growth in the aforementioned areas as a result of being one of the Portuguese host cities of the European Football Championship in 2004. Further on this, in 2007, that is on the

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<sup>33</sup><https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/> (accessed on May 23th 2020)

beginning of the fourth programming period, the two regions have been on the same cluster group on the Regional Lisbon Index that measures how far regions are from the Lisbon targets for 2010, scoring 40 to 50 from a ranking of 0 to 100 (EC 2010c).

Finally, both regions hold great potential for the development of scientific and engineering activities, gathering universities, academic institutions, state laboratories and various economic and R&D infrastructures, and being challenged to catch up with the major European metropolitan capitals<sup>34</sup>.

### 3.3 Research design and data analysis

Secondary literature, official documents, European Commission's reports, studies and workshop reports offered an insight into the evaluation of Cohesion policy, the level of partnership and the coalition-building between the actors at both the national and the regional level of the two countries. In addition, sources of large scale surveys have been used in order to illuminate the significance of the parameters that facilitate or inhibit domestic institutional adjustment and account for variation in regional performance. The Eurobarometer, World Bank Governance, European Social Survey, as well as the Quality of Government Institute, constitute sources with accurate and reliable data concerning the variables of quality of government and trust in both national and regional levels. They provide the research with quantitative knowledge that portrays specific aspects at national scale employed in order to set the context to the arguments presented.

In order to identify the institutional performance of the two regions with regard to policy outcomes and policy adjustment, the research uses the information available from the latest evaluation reports of the Regional Operational Programmes of the period 2007-2013. Data regarding the level of funds' absorption, the areas selected for funding, the convergence of the ROPs with the respective NRSFs of the two countries, as well as with the aims and the objectives of the strategies of Lisbon and Europe 2020, all are considered fundamental for the evaluation of the policy performance and adjustment in the two regions. With regard to the later, the research uses the Europe 2020 Index that offers accurate data concerning the regional progress

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<sup>34</sup>Ibid.

made in the 2020 targets of employment, R&D expenditure, education, energy efficiency and poverty and social exclusion (Joint Research Centre (JRC) 2014). Moreover, the Regional Competitive Index that pictures the strengths and weakness of European regions and ranks them with respect to their specific situation and overall level of development. It covers a wide range of areas related to territorial development, including innovation, quality of institutions, infrastructure and human capital. Both indexes are developed by the European Commission and their context is crucial in EU debate on Cohesion policy (JRC 2013).

Regarding the measurement of the regional QoG, the research is based on quantitative data from the European Quality of Government Index (EQI). The EQI is the only available measure of institutional quality at the regional level in the EU and is developed by the Quality of Government Institute of the University of Gothenburg. It has three completed survey rounds, 2010, 2013 and 2017, which have been funded by the European Commission. It measures regional institutional quality as a multi-dimensional concept consisting of impartiality, low corruption and quality in public services delivery, by capturing the opinions and experiences of citizens in their region of residence (Charron *et al.* 2019).

With regard to the identification of the level of coalition building in the respective regions, the research focuses on the identification of the policy network and the evaluation of the application of the principle of partnership within the implementation of the Regional Operational Programmes. In order to do so, fieldwork research was based on in-depth semi-structured interviews with personnel holding crucial positions in organizations involved, basically with ministry officials, officials of regional and local authorities, academic personnel and NGO representatives. Even though not all interviewees were directly involved in the management and implementation of the Structural Funds, they all had a high level of knowledge regarding the context and implementation of the particular ROPs and the degree of stakeholders' involvement in the respective regions and allowed the evaluation of the principle of partnership and the degree of coalition-building. Moreover, they offered an internal perspective of the relevance of the intervening variables of QoG and trust within the management of the ROPs.

Undoubtedly, given the dearth of quantitative data on regional performance regarding institutional trust, measurements would be best captured by mass survey data. The lack of financial resources did not allow the realization of such a survey and



so trust related questions have been employed within the interviews. However, taking into account that the number of interviewees does not constitute a sample, the research relies on data of the European Social Survey and the Eurobarometer based on the country profiles. Additionally, data from the World Justice Project, presented by the Joint Research Centre (2015) offered valuable insights into the perceptions of the levels of institutional trust, corruption, and government performance at the local level in the cities of Athens and Lisbon.

Considering the limitations of regional survey data, the above quantitative analysis has been further reinforced by the qualitative fieldwork research. Specifically, semi-structured interviews involved questions, among others, regarding the interviewees' estimations in quality of government and institutional trust in the respective regions, as well as their perceptions on the importance of trust in the participation of policy-making procedures. This model of interviewing has been suitable for this type of fieldwork because it offers thorough knowledge of the thematic topic through open-ended questions that require follow-up queries. The semi-structured interviews helped explore and understand in-depth the quantitative data by placing it in a qualitative context and also allowed the collection of qualitative data in a flexible way, meaning that it was made possible to adjust the interview to each interviewee, while having at the same time a certain degree of structure (Adams, 2015). The semi-structured questionnaire is attached in the appendix, but it is not a set in stone guide, as it was adapted to each interviewee.

Regarding fieldwork in the Region of Lisbon, a visiting fellowship at the Institute of Social Sciences of the University of Lisbon in November 2018 allowed the conduction of six face to face interviews with academic experts, government and municipal authorities' officials, as well as an NGO representative. An online interview with a representative of a national institution was also carried out at a later stage. The lack of financial resources did not allow a longer stay in Lisbon, which would certainly help create a network and come in touch with more possible interviewees. The incapacity of some local authorities' officials to speak the English language adequately, as well as their lack of interest to discuss with a foreign researcher, are also added to the limitations of the case study research in the region of Lisbon.

On the other hand, fieldwork research in the region of Attica, admittedly, came with a different kind of limitations. The problems encountered concerned the very low

rate of responses to interview proposals to administrative personnel in the Region of Attica, appointment cancelations, the unwillingness or apathy of private sector representatives to participate in the research, as well the reluctance of ministry and Managing Authorities' officials to give any kind of information regarding the implementation of EU funding. With this regard, seven interviews were conducted concerning the Region of Attica with both current and former officials in key administrative positions from national, regional and local institutions.

Nevertheless, taking into account the resources and the time available for the case studies' research, as well as the fact that responders were not delivering new data or information, the interviews conducted in both regions led to the creation of a concrete image concerning the policy network in the implementation of the Regional Operational programmes. Additionally, the flexible discussion with the interviewees gave remarkable information regarding regional performance in institutional quality and trust, satisfying the aim and the objectives of the research.

## **Conclusion**

This Chapter discussed of the appropriateness of the comparative approach that has been chosen as the methodological skeleton of this research and provided a detailed elaboration of the reasons behind the choice of the countries and the respective regions as case studies. In addition, it outlined how the research project was approached and it offered a description of the primary data collection process for the interviews, the secondary data collection and the data analysis scheme. Finally, despite the research limitations that have been indicated in the chapter, it is suggested that the chosen methodology and research design generates valuable information on the determinant role of the quality of government regarding its impact on institutional and policy adaptation and at the same time provides an analysis to the unexplored territory of measuring QoG at the regional level.

## **Chapter 4**

### **Adapting to Multi-level Governance: the Europeanization of Cohesion Policy in Greece and Portugal**

#### **Introduction**

Greece and Portugal are often used as examples of member states where the informal aspects of integration are crucial in order to understand the challenges that the national states face through the Europeanization process. Member states' institutional systems have been framed by different historical, political, economic and social contexts and both formal and informal institutional processes are considered essential in order to assess the domestic responses to European integration. In this chapter, the study attempts to provide an analytical insight to the countries' steps towards decentralization through the administrative reforms that stemmed from the implementation of the European Cohesion Policy. Discussion points out that institutional reform as a response to the Europeanization process is only part of the story. National responses to European Integration are filtered and conditioned by the pre-existing institutional factors. Therefore, it is important to examine both formal and informal aspects of the countries' reaction to adaptational pressures as well as the interaction among them.

#### **4.1 Historical context, public administration and state of governance structures in the two countries**

Greece has been under a 7-year military regime from 1967 until 1974. After the democratic restoration, the country's central government has been majoritarian and the electoral system of the Greek state disproportionately favored the party which first

past the post. This process created political polarization, combined with a rather high conflictual political culture and as a result the Greek governments relied entirely on the political party that would win the elections. In addition, the political party in power staffed the state agencies and public administration bodies with political appointees, thus generating an extreme politicization of the administrative system, which favored clientelism and the lack of transparency (Sotiropoulos 1995, 2004).

Portugal was an authoritarian state from 1926 to 1974. Under dictatorship, the centralized structure commanded by Antonio Oliveira Salazar dominated public administration, which was not eager in allowing political or social changes that would undermine his authoritarian regime and created a lot of rigidities that halted any chance of innovation or change. Transition to democracy, between 1974 and 1976, was more than difficult and the task of conquering the pre-existing traditional features of clientelism, patronage and close-mindedness was complex and challenging. The military, which still constrained the constitutional settlement and was in power to monitor the democratization process until 1982, further complicated the process and the revolutionary aura of the period did not make things easier. In addition, the conflicting party climate deteriorated the already unstable political system. Specifically, no party managed to achieve a strong majority in the new Assembly of the Republic between 1976 and 1985. The financial bankruptcy, the nationalization of most of the larger enterprises and the fact that Portugal had lost an extensive colonial empire completed the above picture and constituted transition to democracy particularly problematic (Magone 2000, pp. 120-121).

Both countries' transition to parliamentary democracy in the mid 1970s coincided with a period of economic recession and their responses did not favour economic development. In post-1974 Greece, the Socialists expressed a hard attitude and initially followed an anti-American and anti-European line. They nuanced their position, however, once they gained power in 1981. Portugal on the other hand, moved towards the direction of a socialist economy proceeding to the nationalization of the bank and industry sector and resulting in further economic stagnation. Hence, trade liberalization within the European Economic Community became a priority for both countries, although their economies lagged far behind the other western European member states. Nevertheless, accession to the European Community in the 1980s was followed by a major increase in the Structural Funds, designed to support the weak and poor regions of Europe and resulting in having a positive influence on

the economic development in both countries. Consequently, the modernization of their backward economies and public administration was the number a crucial task for the new democratic states during the first decades after transition (Kickert 2011, pp. 804-806). This task, however, has certainly fallen into path dependence that has not facilitated institutional adjustment.

Indeed, in Greece the intense party polarization resulted in having ineffective administrative reforms, since after an election, reforms introduced by the former government were cancelled by the new party in power and replaced by new ones. On the other hand, democratic transition in Portugal was characterized by revolts, conflicts and radicalism. In addition, governments were extremely unstable and parliamentary stability was not part of the picture up until 1985. Party polarization - between the left-wing socialists and the Social-democrats- although existing, did not immensely dominate the political scene, as in the case of Greece. Hence, one can assume that governmental power and stability was a major factor affecting the success of administrative reforms (Kickert 2011, pp. 815-816).

Ever since the establishment of the modern Greek state, the political system of the country has been highly centralized. Before entering the European Community in 1981, attempts for the reformation of public administration were relatively limited. The central state's priority remained the restoration of the constitutional legitimacy and the Greek state managed its territorial capacities in its traditional centralised way (Chardas 2011, pp. 9-10). Yet, the process towards democratization and the opening up of European prospects led the right-wing government of *Nea Dimokratia* (ND) to adopt some reluctant reforms, regarding firstly the definition of specific criteria for the prefects' appointment and secondly, some limited transfers of local development functions<sup>35</sup> to the first tier of local government and shared competences among the different governmental levels. These reforms reflected the readjustment of the pre-dictatorship legislation and existing institutions and resulted in a significant overlapping of functions that characterized centre-periphery relations for the decades that followed. Indeed, this administrative scheme contributed to a policy environment, which facilitated political party control over local governments, further solidified their financial dependence on the central state and favoured political clientelism. Therefore, the basic features of the post-dictatorship period were the restoration of the previous

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<sup>35</sup>Including the areas of urban transport, municipal marketplaces, sports' facilities, nurseries, public housing, tourist development and building control

clientelistic networks and political party patronage, covered with limited modernizing reforms (Paraskevopoulos 2001, pp. 68-69).

Regarding governance structures, the 1981 elections marked a major critical juncture for institutional reforms in Greece. The PASOK government that came into power, made it possible for the first time to launch institutional reforms with the purpose of democratization. These reforms continued during the 1990's under the pressure to enhance the weak political legitimacy of the administrative system and the state (Spanou & Sotiropoulos 2011). Although there had been some degree of regional autonomy -in the form of the prefectures- this was only theory, since regional representatives were not democratically elected (Chardas 2011, p. 10). The PASOK government's proclamation of local administrative reorganization and economic self-sufficiency of the municipalities and communes resulted in 1982 in a programme of extensive decentralization that provided the sub-national authorities with considerable responsibilities. Of great importance has been the creation of the prefectural councils at each prefecture, with decision-making powers on prefectural public work programs concerning issues like town planning, health and education and a small financial budget. The reform also included the de-institutionalization and "politicization" of the prefects' status, which were now directly appointed and dismissed by the central government (Paraskevopoulos 2001a, p. 70).

In examining the period before EC membership in Portugal, the new democratic forms coexisted with the authoritarian and patrimonial features of the dictatorship. During this turbulent period, public administration and the former legal framework of Salazar's regime remained stable. The country's burdensome road to political transition and the absence of governmental and parliamentary stability prevented any comprehensive public administration reform. In fact, the emerging issues of the country's financial stabilization and the demilitarization of the constitution left the administrative reforms to be planned in a later stage. Furthermore, the lack of transparency and accountability reflected the legacy of authoritarianism and the need to develop democratic approaches to policy-making (Magone 2011, 2004, 2000).

Indeed, one of the major difficulties that Portugal faced after the Revolution of April 1975 was coping with the legacy of authoritarianism; despite the significant changes at all levels of life that the revolution brought with, the weak civic participation and the existing societal and patrimonial relationships of the economic and political elite could not be overcome in the short term. Indeed, after forty years of

dictatorship, historic patterns of relationships remained prevalent. Moreover, the extensive mass participation during the revolution and the military occupation of the political sphere prevented politicians from consulting the Portuguese population and did not allow the weak civil society to get involved in political debates. Even though a number of interests groups did emerge during the revolutionary process, their presence quickly faded away, revealing the low level of citizens' participation and the limited channels for political involvement. This factor has been one of the main reasons of why Portugal's political system remained unstable prior to the EC accession (Rato *et al.* 2004, p. 81, Magone 2000, p. 121).

The Europeanization of the Portuguese administrative system became a priority for the Portuguese governments after 1986, as part of the preparation of the country for the presidency of the EU Council of Ministers in 1992. The engagement of the Portuguese bureaucratic structures with the European structures and institutions opened up the previously closed-minded authoritarian structures and provided an entrance to new administrative forms. This process however was not immediate, but continued throughout the 1990s (Magone 2000, p. 121-122).

In a formal view, under the Greek constitution, the public administration of the state is principally decentralized. However, all levels of administration are strongly supervised by the central government in Athens. Decentralized services of Ministries, regional authorities, local administrative agencies etc., do not have the power to legislate, unless they receive concrete details and instructions by the relevant ministries on how to apply legislation. After the eruption of the economic crisis, centrality in decision-making processes has been intensified, as the central government set rigid fiscal discipline on the subnational authorities. In addition, most government expenditure stems from the central state and subnational levels of government have few financial resources. Hence, one can easily notice that public administration in Greece is highly centralised (EC 2018a, pp. 395-396).

Regarding the administration structure, since January 2011, under the administrative reform of "Kallikratis Plan", Greece comprises of seven Decentralized Administrations (basic departments of the central administration in Greece's periphery), thirteen Regions (headed by directly elected regional governors and regional councils) and 325 Municipalities (headed by elected mayors and municipal councils) (EC 2018a, p. 396). Under the "Kallikratis Plan", the territorial division has been reorganised, by uniting existing municipalities, modifying the vertical division

of competences in favour of municipalities and abolishing the decentralised public administrations. The merging of municipalities was considered a necessary condition aiming in decreasing local governments' expenditure and establishing local government units, sizeable and skilful enough to manage the absorption of the EU Structural Funds (EC 2018a, p. 396). Nevertheless, political party competition has been spread throughout local politics and the polarization of the country's party system is also reflected in the subnational levels of government. In addition, the overall administrative capacity of the sub-national levels of government is basically uneven. In most cases, local government employees lack the formal educational credentials and skills, compared to the employees that staffed the central government authorities and resources channelled from the centre to the periphery (personnel, funds, etc.) is considered inadequate for policy implementation. Hence, the merger of small municipalities into larger ones, although regarded as crucial, did not favour the exploitation of new administrative capacities and the effectiveness of sub-national levels of government remains suboptimal (EC 2018a).

Up until now, the Decentralized Administrations, founded in 2011, constitute single units of the state and their heads are appointed by the central Government. They are responsible for supervising regional and municipal authorities and they exercise general decisive responsibility on national matters in accordance with the Constitution. In sum, they have all those competences that cannot be managed by the local government (EC 2008a, p. 397). Municipalities and Regions constitute the first and second-level of local self-government and the directly elected regional authorities are responsible for the administration of affairs of their district. They shape, plan and implement policies at regional level under the principles of sustainable development and social cohesion of the country, taking into account of national and European policies. Municipalities are responsible for the administration of local affairs. They manage and regulate all local matters in accordance with the principles of subsidiary and proximity with the aim of protection, development and continuous improvement of the interests and the quality of life of local society. The former Prefectures largely still exist, but are now called Regional Units and form administrative and territorial constituent parts of the Regions<sup>36</sup>. Within this framework, the seven Decentralized Administrations can be viewed as

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<sup>36</sup><https://portal.cor.europa.eu/divisionpowers/countries/MembersNLP/Greece/Pages/default.aspx>



*“a legacy of the system of the former 50 “prefectures” and a compromise of the long historical tension between elected officials and appointed officials in charge of Greece’s sub-national authorities”<sup>37</sup>.*

Portugal is a unitary state with two autonomous regions: the archipelagos of Madeira and Açores. It is divided in 18 districts, 308 municipalities and 3092 parishes, with the main level of territorial organization being the municipal system of local government that dates from the Romans. Four decades of dictatorship led to an over-centralisation of the government structure and between 1926 and 1974 the administration of Portugal was highly centralized. After the Carnation Revolution in 1974 and under the new Constitution in 1976, Portugal is defined as a unitary state (with the two autonomous regions having their own institutions of self-government), which must respect the principle of subsidiarity, the autonomy of local authorities and the democratic decentralisation of public administration. However, Municipalities (*municípios/concelhos*), which are historically associated with the Portuguese identity, are the most important subnational actors, but depend highly on the national state for financial resources. Similarly, parishes (*freguesias*) enjoy very limited functions and resources and have little and insufficient administrative capacity (EC 2018b, p. 823).

Although the current local government system is based on the Constitution of 1976, municipalities are certainly an old form of local administration, coming from the period of medieval. The organizational structure of both the municipalities and the parishes consists of an elected assembly with decision-making powers and an executive organ, accountable to the assembly and in the case of the municipality is also elected. All municipalities and parishes enjoy the same status and administrative powers and competences regardless their demographic size (Silva 2017, pp. 13-14).

Administrative regions were never created in Portugal. This is partly because of the limited territorial demand for regional institutional structures, but also reflects the central resistance to regionalization. The lack of administrative regions is substituted by the Regional Coordination and Development Commissions (CCDRs - *Comissões de Coordenação e Desenvolvimento Regional*), which constitute supra-municipal and de-concentrated regional bodies. They belong to the structure of the central government and their power is limited. Even though decentralization has been many times a key issue in the Portuguese agenda for political and institutional organization

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<sup>37</sup>EC (2018), p. 397

in the post-authoritarian period, the unbalanced distribution of resources continued to facilitate the centralization of the power and the country's administrative structure. Thus, many welfare state arguments related to the distribution and the democratization of the political system remained unaddressed, enhancing the centralization of the state and the policy-making processes, as in the authoritarian regime.

According to the classification of public administrations that are frequently used, Portugal answers to the Continental European Napoleonic Model. Indeed, in Portugal power and decision-making procedures are concentrated in the central government. The country is characterized by a strong centralized government, a powerful centralized bureaucracy and a culture-rooted and political acceptance of a highly centralized governmental regulatory authority. Thus, along with Greece and other South European member states, it is defined by a prevailing legalistic tradition in centralism and centralistic governmental structures (EC 2018b, p. 823-824).

Local government has been democratically elected since the fall of the dictatorship in the mid 1970s. Along with reinforcement of the CCDRs they comprise the decentralized units of the governmental state structure, with relevant functions in a wide range of activity sectors (territorial ordering, local support, urban planning etc.). Even though these decentralized government bodies can manage their budget and legislate in certain areas, they always depend on the central government and on the provision of the national state budget (EC 2018b, p. 826).

There are five main regions<sup>38</sup> on the mainland in charge of the decentralised administration services, empowered with some financial and administrative autonomy. The formal division is made into eighteen Districts (*Distritos*) that are administered by Civil Governors (*Governadores Civis*) appointed by the Minister of Internal Administration until mid-2011. However, these did not constitute levels of self-government<sup>39</sup>. The 2011 bailout accord required the reduction of the number of municipal and parish local governments. In June 2011, the newly elected government proceeded to decentralise competences by removing the civil governors as representatives of the central governments in the districts.

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<sup>38</sup>Norte, Centro, Lisbon Metropolitan Area, Alentejo, Algarve

<sup>39</sup><http://www.portugalglobal.pt/EN/InvestInPortugal/RegionsofPortugal/Pages/TheRegionsofPortugal.aspx>

The new organization of the Portuguese regions for statistical purposes was implemented by the European Commission Regulation 868/2014 in August 8th 2014. It established alterations to the NUTS III which have now territorial limits in continental Portugal. The new regional division system (NUTS 2013) began being implemented by the National Statistical System and European on January 1st 2015. The Portuguese territory structure, according to the new NUTS is formed by three NUTS I (Continental Portugal, Açores Autonomous Region and Madeira Autonomous Region); seven NUTS II (Norte, Centro, Lisbon Metropolitan Area, Alentejo, Algarve, Açores Autonomous Region and Madeira Autonomous Region) and twenty-five NUTS III (twenty-three Inter-municipal Entities in Continental Portugal and the two Autonomous Regions).

Public administration reform in Portugal certainly rests upon the decision-making of the central government. The country's administrative-territorial structure was for decades under discussion and although there has been a broad consensus on the need to move towards more regionalization, the question of the regions' competencies is not yet resolved. Hence, to sum up, the Portuguese government structure is unitary, governments seek governmental majority (although not always successfully), relationships between the central government and the bureaucratic institutions is obviously politicized and public policy and decision-making is highly centralized (EC 2018b, p. 826).

## 4.2 Cohesion Policy and institutional change in Greece

The foundations of the Greek Regional policy are traced during the 1950's, where the first attempts for a developmental economic planning stressed out the "*need for an effective promotion of a solution to the problem of inequalities that exist today among different areas of the country*"<sup>40</sup> (Konsolas *et al.* 2002, p. 1, Papadaskalopoulos & Christofakis 2005, pp. 3-4). The administrative responsibility and the coordination and implementation of the national development policy relied totally to the Ministry of Economy (Ministry of Coordination at that time) and the priorities of regional policy in Greece focused principally on national economic

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<sup>40</sup>Konsolas N. *et al.* (2002) p. 1

growth rather than the development of the regions. During the 1960's and the half 1970's regional policy was marked by large scale investment projects (airports, industrial areas etc), aiming in ensuring national growth (Chardas, 2011, p. 9, Andrikopoulou & Kafkalas 2004, pp. 37-38).

Greek accession in the European Community in 1981 was accompanied by an effort of linking the Greek regional policy with the regional policy of the EEC. Yet, sub-national authorities at that time were non-elected bodies, composed of representatives of local governments and chambers of commerce and professional/agricultural associations, giving a "*timid element of indirect legitimation*"<sup>41</sup> to the decentralized prefectural level (Andreou 2006, pp. 243-244). The first crucial reform in the administrative system took place with the launching of the Integrated Mediterranean Programs (IMPs) in 1986, where 13 administrative regions<sup>42</sup> were formed at NUTS II level as a precondition for the absorption of the European funds. They were nevertheless given no administrative power and were headed by a government appointed regional secretary (Andreou 2004).

The IMPs were a true landmark within the interventions of the European Union and the Greek authorities were faced with the challenge to meet the prerequisites for the absorption of European financial resources (Plaskovitis, 2008). However, the lack of regional and local democratic legitimacy made the institutional arrangements susceptible to the influence of the political party in power. Hence, even though the PASOK government's aim was the opening up of the administrative system to civic participation and the encouragement of local cooperation, no endogenous socioeconomic actors participated in the formulation and implementation of the regional policy and centre-periphery relations held their hierarchical structure (Chardas 2011, p. 12-13. Paraskevopoulos, 2001a, p. 70).

The IMP period coincided with a significant milestone in the development policy of the European Community: the radical reform of the Structural Funds in 1988 and the introduction of the principles of programming, additionality, concentration and partnership, as well as a number of management doctrines that were consolidated within the reform, made the external impetus of Europeanization even more evident. Thus, a new policy environment accompanied the Greek CSF I, including multi-level

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<sup>41</sup>Andreou G. (2006), p. 243

<sup>42</sup> Attica, Central Greece, Western Greece, Central Macedonia, Eastern Macedonia and Thrace, Western Macedonia, Peloponnese, Thessaly, Crete, Epirus, North Aegean, South Aegean, Ionian Islands.

planning of Sectoral Operational Programmes (SOPs) of national scale and Regional Operational Programmes (ROPs) for each one of the thirteen regions, as well as a number of new institutions for actors' participation in the policy-making at all levels of government (i.e. Monitoring Committees<sup>43</sup>) (Paraskevopoulos 2007, Andreou 2004). The regional policy department of the Ministry of Economy was the main institutional actor implementing the CSF I, while efforts for collaboration between national institutional actors and regional and local stakeholders was superseded by the essential of the funds' absorption at the time indicated. Thus, despite the fact that the IMPs and the CSF I were the catalysts for the beginning of institution-building<sup>44</sup> and subnational mobilization, the weakness of the institutional infrastructure led to poor policy outcomes (Chardas 2011, Paraskevopoulos 2007, Getimis & Demetropoulou 2004). Overall, the development policy from 1984 to 1993 focused on national small infrastructural projects aiming in improving economic activity and living standards. What was lacking from this strategy was the promotion of major infrastructural projects, which were a prerequisite for attracting investments from abroad, along with a focus on productivity, quality and sustainable development (Plaskovitis 2008, Hellenic Ministry of Economy 2005).

With regards to the second programming period (1994 to 1999), the deterioration of the Greek economy at the beginning of the 90's, the bad political climate and the pressure to meet the Maastricht criteria in order to join the European Monetary Union (EMU) were the main elements that put forward the pace of development. During the CSF II, emphasis was placed on the promotion of economic development and the improvement of competitiveness, the environmental upgrading and the establishment of better living standards in urban centers (Hellenic Ministry of Economy 2005). With regard to the country's preparation for the EMU accession, priority was given to major infrastructural projects of national importance: Highways (PATHE, Egnatia Odos), port projects, modernization of the Hellenic Railway Network, the International Airport of Athens, the Athens metro, energy projects and telecommunications, etc. (Papadaskalopoulos & Christofakis 2005).

The evaluation of the previous programming period pointed to a number of problems related to the overall domestic political framework. The low capacity of the

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<sup>43</sup> The size of each Monitoring Committee was determined in accordance to the financial significance of each Operational Programme (Chardas 2011, p. 14)

<sup>44</sup>That is the creation of the 13 administrative regions in 1986 and the administration reform that followed the CSF I in 1994.

regional authorities' human capital –and the central as well- and the clientelistic interchanges among all tiers of government were identified as the key factors hindering adaptation to the European Cohesion Policy environment. Thus, the creation of independent administrative institutions including the Managing Organization Unit (MOU), a semi-independent unit operating under private law and being responsible for offering expertise and administrative tools to the Monitoring Committees, and the Economic and Social Committee, representing various socioeconomic groups at the national level, which provided consolation on domestic policies<sup>45</sup> provided assistance regarding the absorption rates, the reduction of the complex bureaucratic procedures and the promotion of transparent practices was (Chardas 2011, p. 15-16, EC 2009a, Andreou 2006, p. 250).

Moreover, a series of reforms supposed to contribute to the efficient implementation of the CSF II was promoted by the PASOK government, emphasizing the involvement of the regional and socioeconomic partners as consultants on regional planning issues, through participation in the Regional Councils. However, decisions concerning regional development issues were taken by the government appointed Regional Secretary, who retained the overall co-ordination and decision-making control (EC 2009a, p. 39). Prefectural and local authorities were also given power to affect decision-making, but their impact was considered limited, as the Regional Secretary supervised and controlled the legacy of all decisions taken at prefectural and local level (Cassimati 2003, p. 3). In addition, local elections were established for directly elected prefects and prefecture councils. Nonetheless, competences and financial resources of these new administrative tiers were not clearly clarified and Prefectures shared common responsibilities with the central government, creating issues related to administrative overlapping (Chardas 2011, p. 16-17, Petrakos & Psycharis 2006, pp. 12-13).

Up to this point, the Greek politico-administrative system remained highly hierarchical and dominated by the government party, presenting a low degree of legitimacy and institutionalization. Despite the administrative reforms that took place towards an efficient implementation of the Structural Funds, patronage “sabotaged”

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<sup>45</sup>In addition, The Hellenic Centre for Investment (ELKE), the Joint Steering Committee for Public Works (MEK) and the Expert Agent for the Sampled Quality Infrastructure Projects (ESPEL) were established, with the responsibility of overseeing projects related to the improvement of physical infrastructure

the technical capacity and the legitimacy of public administration (Ladi 2014, Spanou 1998). As Spanou (1998) underlines

*“irrespective of formally centralized political-administrative structures, centrifugal political forces resisted formal obligations imposed by modernization reforms; they perpetuated a high degree of fragmentation along with a selective respect for formal rules, while neutralizing control and sanction mechanisms”<sup>46</sup>.*

Thus, informal rules sometimes disregarded formal ones and the evolution of the Greek public administration lied upon the insights of historical institutionalism. The centralizing tendencies in the organization of the state and the strong presence of the central government in the economy, demonstrate a historical trajectory of state-society relations.

Within this framework, an important reform of the period has been the “Kapodistrias Plan” in 1997, which provided for the obligatory merger of the local communes and led to reduction of municipalities and communes and the transfer of a number of government competences to the local level<sup>47</sup> (Petraikos & Psycharis 2006, pp. 12-14). For the first time, Greece established a multi-level administrative system that consisted of the top tier central public administration at ministerial level, the 13 administrative regions at NUTS II level that were headed by a centrally-appointed General Secretary, the 51 prefectures (NUTS III) and the local government authorities (NUTS IV), which remain fully elected tiers of self-government (Petraikos & Psycharis 2016, 2006).

The analysis of the second programming period revealed a paradox regarding the implementation of the Greek CSF II. Major institutional innovations took place and the processes of increased decentralization, through the provision of responsibilities and financial resources to the NUTS II regions, assured a more effective management and implementation of the regional OPs. Moreover, the direct election of the prefectures and the amalgamation of the local authorities enhanced governmental legitimization and created the field for local actors’ participation in the implementation of the regional OPs. Nevertheless, the private sector’s participation

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<sup>46</sup>Spanou C. (1998), p. 474

<sup>47</sup> It should be noted that the amended Constitution of 2001, allowed for the first time the Local Authorities to collect financial revenue through local taxation. However, the majority of funding still arrived from the central state (Chardas 2011, p. 18).

revealed a tendency towards managerial efficiency, since private companies (usually private consultancies) were chosen by the central state to assist the central bureaucracy and assure effectiveness in the management of the funds. Additionally, the processes of the decentralization of powers can be seen as the central government's desire to replace its power from the local to the regional level (Chardas 2011, Andreou 2006). As the Tavistock Institute indicated in a Commission's study:

*“There is in Greece an emerging de-concentrated structure which, however, co-exists alongside a more centralized system of control and centralized operational service delivery (...) the regional secretaries exercise the regional element of the central government”<sup>48</sup>.*

The improved Greek economy, along with the measures taken in pursuit of macro-economic stability, the structural changes and the contribution of the CSF II itself, created the preconditions for a more effective performance as regards the country's developmental aims. Nevertheless, even though the institution-building that took place during the CSF II cannot be ignored, the implementation of the CSF II was hindered by a series of problems and malfunctions that rendered the administration and implementation mechanisms inadequate to deal with the increased scale of interventions (Andreou 2006, pp. 249-250).

Under these circumstances, the CSF III was planned in a very different economic and social manner regarding that of the previous periods. The report of the Ministry of Economy (2005) on structural interventions pointed out that the Greek CSF III aimed to contribute to the country's further integration in the EU and to the knowledge-based world economy. The priorities included the investment in physical, human and knowledge capital, transport infrastructure, the enhancement of competitiveness of small and medium enterprises, the promotion of sustainable rural competitiveness, the quality of life (regarding environment, culture, health and welfare), the development of Information Society, as a key factor enhancing the public sector's efficiency, and the strengthening of regional competitiveness, economic development and employment (Hellenic Ministry of Economy 2005, EC 2002).

In addition, the Greek government established the institutional framework emanated from the Commission's principles for the implementation of the CSF III. Specifically, the reform of the Structural Funds in 1999 –accompanied by an increase

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<sup>48</sup>Tavistock Institute, 1999, p. 90



in the financial resources available from the European Cohesion Policy funds-provided an impulse towards further Europeanization of the domestic structures and a context for additional institutional developments. For this reason, the institutional network that was set up in order to support the planning and implementation of the CSF III comprised of five interrelated organizations: The Managing Authorities (MAs), the Monitoring Committees (MCs), the Managing Organization Unit (MOU), the Paying Authority and the Committee for Fiscal Control. The CSF Managing Authority was the regional policy department within the Ministry of Economy that was upgraded and administered with added missions, including the coordination of the various OPs and was responsible for ensuring that actions of all MAs were in line with the legal framework of the central state and the European Commission<sup>49</sup>. Undoubtedly, it has been the most influential actor of the institutional network (Chardas 2011, p. 20-22, Andreou 2006, pp. 252-253). During this programming period, the role of the Monitoring Committees was reorganized and they were in charge for the institutionalization of the principle of partnership and the monitoring their respective OP.

The Structural Funds reform in 1999 formulated a new partnership framework with the EU, which enforced the adoption of a diversified administration and management of the CSF III. During the CSF III, a number of Committees was created -mostly consultative bodies- aiming in promoting social dialogue<sup>50</sup>. Some partnerships have been developed among these national bodies and the domestic policy-making system. However, their role was purely consultative and not decisive and they were characterized by a centrally top-down approach, highly controlled by the Ministry of Economy. The later, despite the last two administrative reforms that resulted in the creation of a new political arena at the prefectural and regional level and transformed the balance of power and the relations between all levels of government maintained the total control over revenues and expenditures, including

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<sup>49</sup>In addition to the Managing Authorities and the Monitoring Committees, the Paying Authority (set up by the Ministry of Economy under the control of the CSF Managing Authority) was responsible for the surveillance of the financial flows and along with the Committee for Fiscal Control were incorporated as secondary supportive organizations to encourage transparency in the implementation of the Funds. These authorities were in charge of strengthening the processes of monitoring, evaluation and control of the Operational Programmes of the CSF III (Hellenic Ministry of Economy 2007)

<sup>50</sup>Namely the National Committee for Employment (Law 3144/2003), the National Committee for Social Protection (Law 3144/2003), the National Council of Competitiveness (Law 3279/2004) and the National Council for Spatial Planning and Sustainable Development (Law 2742/1999)

the co-financing of the EU programs. Hence, although institution building during the CSF III is undoubtedly considered a significant success, the role of the institutions introduced was the enhancement of the administrative capacity and the efficient absorption of the EU funds and not the formulation of partnerships and the promotion of multi-level governance (EC 2009a, pp. 39-40, Andreou 2004).

### 4.3 Cohesion Policy and institutional change in Portugal

For the Portuguese state, accession to the European Community in 1986 was a major challenge, since the country had spent the previous five centuries mainly focusing on its colonial possessions. Decision to join the EC was preceded by a long route of democratic consolidation that is firmly linked with the course of Europeanization. Together with EC membership, Portugal entered a period of a more economic and political stability. Particularly, the rise into power of the Social Democratic Party (PSD) in 1985, relying on absolute majority from 1987 to 1995, offered great political balance to the Portuguese political system. “Cavaquismo”, as this decade is used to be called due to the policies and charismatic style of Cavaco Silva, inaugurated the onset of the Portuguese economic and administrative restructuring, exploiting the opportunities and mechanisms offered by the EC to establish long-term development plans, macroeconomic policies and administrative reform (Magone 2000, 2004).

Portugal’s accession in the EC coincided with the 1988 major reform on the structural funds. Preparation for the management of the structural funds became a priority for the government, reflecting the financial incentives on offer and the need to adapt to the European policy requirements (Rato *et al.* 2004, p. 82-83). Thus, the first real experience with the EU regional policy led to a better preparation of the Regional Development Plans, in order to avoid delays in decision-making processes, and to a gradual development towards a concentration around smaller number of objectives (Magone 2004). In addition, and in a similar vein to Greece, Portugal came face to face with considerable adaptational pressures, having to respond adequately to the growing *acquis communautaire*, including increasing European involvement in regional issues at domestic levels. Existing institutional structures, government

arrangements and policy-making procedures were challenged by the European requirements.

The Portuguese CSF I focused on economic infrastructure, industrial reconversion, human resources, agrarian and regional development. Institutionally, the government moved forward to the decentralization of many of its implementation structures to the CCDRs and the municipalities. The latter were charged with the implementation of regional planning; they became responsible for overseeing the management units of the ROPs and were considered to be the “mediators” between the national government and regional administration (Rato *et al.* 2004, p. 104). In addition, coordinating efforts at all levels of the political system were increased; the Governmental Commission for the Coordination of the Community Funds was established (under the chairmanship of the Ministry of Planning and Territorial Administration) and several administrative controlling and coordinating positions were created to assure the optimal use of the funds (Magone 2000, 2004).

The elaboration of the Regional Development Plan for the second programming period took place within a consultation process under the direction of the Ministry of Planning and included trade unions, business and local civil associations, political and economic experts. The European guidelines for the CSF II, aiming at reducing regional imbalances and increasing regional development, reinforced the Portuguese government’s planning process and the management of investments was placed under the responsibility of the Associations of Municipal Authorities. Nevertheless, civil society’s participation during the consultation process was regarded to be limited (Magone 2017). Even though disagreements between the two governmental tiers regarding regional priorities were not missing, the consultation process followed for the elaboration of the second Regional Development Plan was considered to be the positive result of the external European pressures (Nanetti *et al.* 2004 pp. 408-409).

Yet, in 1993-1994, Portugal entered a new economic cycle of recession, while at the same time the Maastricht Treaty represented a major constraint for the successive Portuguese governments, since the country was forced to change the national logic of currency devaluation and achieve international competitiveness (Magone 2017, p. 57). For this purpose, the CSF II focused on the areas of human resources and employment, the competitiveness of the economy, social cohesion and quality of life and improvement of the regional economic base. Moreover, the operational

programmes were reduced from sixty to fourteen (EC, 1994). This was a step forward to the de-bureaucratization of the whole structure.

The overall approach towards the modernization of public administration did not change after the 1995 elections and the government of the Socialist Party (1995-2011) of Antonio Guterres gave emphasis to the continuity of policy-making. Administrative reform towards decentralization, transparency and accountability was part of the government's programme adopted in November 1995 and included the creation of administrative regions. Indeed, after almost a decade of neoliberal governance, a paper on regionalization and state reform that would make public policies more efficient was published and provided for the creation of administrative regions to be embodied in a three-level governance structure: central, regional and local (Abrantes 2019, p. 38). However, this ambitious attempt of regionalization was rejected by a referendum on November 8 1998. Even though the Guterres' government purpose was to link regionalization with the democratization of the public administration -with directly elected regions that would make politicians more accountable to the regional and local population- the dynamism of the proposed reform was massively rejected by the core political parties and the Portuguese civil society (Magone 2011, p. 772).

The rejection of the administrative reform was a clear sign of resistance to change. National political parties feared the loss of their local power at the municipal level, while Municipalities and local lobbies encountered regions as potential competitors regarding political power. The two third majority rejection of the referendum, the low level of civic participation (only 48% of the population voted) and the "*sense of powerlessness in the face of a strong paternalistic system*"<sup>51</sup> came across the realization that the Portuguese institutional system remained attached to elites rather than popular interests. In addition, despite a decade of EU Cohesion Policy implementation, the remaining regional and socio-economic disparities and the continuing growth of urban and coastal areas compared to the remote and inland ones, did not make regionalization convincing (Nanetti *et al.* 2004, pp. 409-410).

Regarding the administration of the CSF II, responsibility for the overall coordination of the CSF was under the Ministry of Planning, but the control of the EU resources was under the responsibility of the Ministry of Finance. As in the previous

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<sup>51</sup>Nanetti *et al.* (2004), p. 409

programming periods, the CCDRs were charged with promoting the central government's decisions on regional policy development, monitoring the use of EU expenditure and coordinating the projects' management. At the local level, the Managing Authorities were responsible for the regional operational programmes but under the control of the central government: they were presided by the respective CCDRs. Municipalities and local business associations participated in the Managing Authorities only when regional programmes impacted their territory (Nanetti *et al.* 2004, pp. 411-412).

Overall, the implementation of the CSF I& II were a major challenge for the Portuguese public administration, which was still characterized by paternalistic reflexes. However, literature indicates that the governments of Cavaco Silva between 1985 and 1995 contributed to a rather adequate political stability and economic growth and the period from 1986 to 1993 was marked by an increase in foreign investment that alongside the Structural Funds contributed to the enhancement of the Portuguese economy (Magone 2017, p. 57).

As a result of the stagnation of economic progress, the priorities of the CSF III included the improvement of human resources and employment, the amelioration of the productive profile in direction of activities of the future, affirmation of the value of territory and of the country's geo-economic position and the fostering of national cohesion and regional sustainable development. Most of the funding went to the transformation of the Portuguese economic profile, particularly in the fields of industry and services. Nonetheless, the weak structure of the Portuguese business sector led the government to provide non-refundable loans to businesses in order for programmes to succeed. Thus, rather than increasing competitiveness and innovation, the Portuguese government followed an overall pattern of aiding the business sector in order to be able to implement the funds successfully. In addition, the weakness of the Portuguese business structure implied a malfunction in the distribution of the funds, resulting in further divergence between the richest and the poorest regions of the country. Indeed, a large amount of funds were invested in prestigious public infrastructure, such as the football stadiums designed for Euro championship 2004, leaving behind the core target of upgrading of qualifications of the Portuguese workforce and innovation and the restructuring of the business sector in general. Nonetheless, infrastructures became less important in this programming period,

shifting priority towards the information and knowledge society (Magone 2006, p. 20-21, Magone 2004, p. 223).

It goes without saying that the Structural Funds and European Cohesion Policy in general have been an enormous advantage for Portugal. During the first three programming periods, the country was very keen on using the European funds to upgrade the Portuguese infrastructure. However, adjusting to pressures stemming from the European Commission was a difficult path for the Portuguese governments and the amount of funding coming into the country led to difficulties in absorption. Indeed, the Portuguese administration has been somehow overwhelmed by the amount of procedures and regulations that needed to be implemented in order to get projects off the ground (Magone 2006, p. 20).

One considerable issue regarding the lack of efficiency in the implementation of cohesion policy in Portugal has been the governance structure of the country. After transition to democracy, the newly democratic state had immense difficulties to change from a closed government system to a new model similar to western European democracies. Even though it had been widely accepted by political forces that decentralization and the strengthening of local government would help protect the Portuguese population from the return of a potential authoritarian regime, there had been no radical change in the administrative system. The results have been the opposite, since the durability of political tradition and the patrimonial socio-economic system led to a continuing centralization. Regionalization would have been an opportunity to democratize and decentralize this decision-making process, but instead non-elected administrative institutions were created, lacking legitimacy. Membership in the European Community in the 1980s and pressures of the European model of multilevel governance for the implementation of the European structural funds did not alter the picture of continuous centralization. Local government was focused on municipal power for local development, but, although enhanced with a wide range of competences and greater autonomy, municipalities lacked the technical, financial and human resources that would enable them to be a truly decentralized power (Abrantes 2019, p. 37).

According to Magone (2017), the implementation of the funds required a governance system genuinely adapted to the European multilevel governance structures. Both a strong economy and a broad civil society should be of equal significance and effective administrative features are fundamental for a successful

long term strategic planning. Instead, the process of funds' implementation was dominated by the absence of adequate data and opaque party decisions and the country lacked the principles of transparency and integrity, which would increase the efficiency and profitability of the Funds. The previous programming periods made clear that Portugal concentrated mainly on modernizing its public infrastructure mainly in big cities and building motorways, with a shift in entrepreneurship and competitiveness occurring during the CSF III (Magone 2017, p. 61)

Portugal has a weak state, a weak economy and one of the less extensive and dynamic civil societies of the EU. These aspects led to an excessive "governmentalization" of the structural funds. Indeed, due to the vacuum left by the private economy and civil society, the Portuguese state became hyperactive so that projects could be approved. On the other hand, economic actors have been particularly dependent on local authorities, which over the years have created real empires of local public companies, mostly unprofitable, however, and in debt. The lack of legitimacy of the CCDRs, which depend on decisions coming from the central government, reinforced this "governmentalization" and confirmed the reproduction of an extremely centralized structure. In addition, the central design and management of the CSF III revealed a tendency towards paternalistic attitudes, since the Portuguese Government financed many non-refundable projects, because of the business sector's incapacity to co-finance projects. Thus, the logic of absorbing the Funds at all costs further reinforced "governmentalization" (Magone 2017, pp. 63-67).

It goes without saying that, since transition to democracy and EU membership the Portuguese state has been subject to significant pressure for change. Nonetheless, although there has been considerable progress, the Portuguese territory insisted in deep centralization, emphasizing on formal procedures and remaining strongly hierarchical. In short, governmentalization, excessive centralization of decision-making and paternalism were identified as important factors diminishing the effect of the European Cohesion Policy.

#### **4.4 A Critical Evaluation: institutional adaptation and restructuring under pressure in Greece and Portugal**

With regard to the interaction between the Europeanization of Cohesion policy and the domestic institutional infrastructure, it is not hard to derive that both countries faced considerable adaptational pressures, albeit the degree. At the time of accession, both countries had no experience in programming and planning and lacked the necessary tools that would permit efficient implementation of the regional policy.

In Greece, principally due to the high level of centralization, the clientelistic practises and the strong interference of the central state, up to the 1994 reform, the prefectures and municipalities were left with only limited responsibilities (Getimis & Demetropoulou 2004, pp. 356-357). Thus, it is not surprising that the first post-accession years are characterized by reluctance and a rather negative attitude towards European commitments and changes in the decisional procedures from the part of the Greek governments. In addition, the introduction of the partnership principle and the promotion of an integrated approach to planning totally misfit with the Greek interventionist tradition, the central predominance and the limited participation of non-state actors and social partners and further revealed the problems of incompatibility (Getimis & Demetropoulou 2003, pp. 7-8, Getimis & Demetropoulou 2004, p. 358).

However, the result of the decentralization process and the democratic planning was the identification of regional projects subject to the financial constraints of the central level of government that consequently impeded the efficient implementation of the first two CSFs (Getimis & Demetropoulou 2003, pp. 8-9). The main problems identified were the lack of coherence between sectoral and regional programmes, the absence of extended public-private partnerships, the total fragmentation of decision-making processes and the adaptational difficulties regarding partnership and networking (Getimis & Paraskevopoulos 2002, p. 6). Nevertheless, one should not overlook the fact that the establishment of the elected second tier of subnational government at the prefectural level and the upgraded role of sub-national authorities in the implementation of the ROPs helped the creation of links between supranational and subnational actors, through their joint participation in the Monitoring Committees. All the same, the administrative weaknesses and the absence of intraregional networks, in combination with the maintenance of hierarchical structures



in financing and planning procedures and the domination of clientelistic practices, impeded the development of integrated efficient plans.

Thus, even though a number of communication channels among supranational and subnational actors emerged within the framework of the Monitoring Committees, these developments were shaped by domestic factors, such as hierarchical traditions and centralistic structures (Kelleher *et al.* 1999). Moreover, the failure of partnership was also a consequence of the regional actors' incapacity to engage effectively to regional policy-making. Political party hierarchy, personal strategies and political orientations of local leaders, as well as interpersonal relations and party competitions, are considered factors that determine the abilities and choices of subnational politicians towards local development initiatives (Koutalakis 1997, p.27).

Academic discussion suggests that the weakness of the subnational local infrastructure and the implementation of the partnership principle during the 90's on the one hand, and the doubling of the structural funds and the preparation of the country to enter the Eurozone on the other, have shifted the objective priorities of the third CSF, from democratic participation towards managerial efficiency in the management of funds (Getimis & Paraskevopoulos 2002, p. 9, Andreou 2006 p. 250, Paraskevopoulos 2006 p. 234). Hence, though institution-building during the first two programming periods is considered a great success story that doubtlessly improved the administrative structures of the country, these institutions were introduced as a need to reinforce the management and planning of the relevant ministries and not as means to promote partnership creation (EC 2009a, pp. 44-45). Within this context, as Bache (2007) identifies "*centralized programming and management of the funds was probably a necessary evil*"<sup>52</sup>. The emphasis on managerial efficiency, mainly the absorption of the EU financial resources, subsequently underestimated the principles of participatory governance and social consensus that enhance institutional adaptation. In that sense, the enhancement of the central administrative authorities and the subsequent loss of power of the regional Monitoring Committees, through the establishment of the Managing Authorities, constitute elements of a re-centralization in the decision-making procedure of the third CSF. Even if the EU regional regulations enhanced institutional restructuring at the regional level and offered opportunities for subnational participation, once again the hierarchical client oriented

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<sup>52</sup>Bache I. (2007) p. 6

relations, the pre-existing institutional arrangements and the lack of negotiation and dialogue continue to dominate the political arena, impeding the development of horizontal links (Getimis & Paraskevopoulos 2002, p. 8-9).

Nonetheless, the relatively slow pace towards decentralization and administrative restructuring that started in the mid 1980's and continued after the eruption of the economic crisis is a response to the external shock coming from the evolution of European Cohesion policy and the challenges of European integration as a whole. Consequently, the gradual Europeanization of Cohesion Policy constituted an external shock to the Greek administrative structures. Within this framework, institutional change was much greater than one could have assumed after the beginning of reforms in 1986. Yet, as Spanou (2008) points out, the significance of the reforms was rather political than administrative. The creation of various independent agencies to assist policy implementation and coordination was of particular importance within the Greek context, if one takes into account the central government's tendency to influence all administrative institutions (Spanou 2008, p. 168).

As regards Portugal, the country took successfully advantage of the conditions established in the accession treaty and EC membership has undoubtedly improved access to European policies and budget. Indeed, the country's trade with the EU expanded dramatically and foreign investment flooded, reducing among others the gap of economic divergence between Portugal and the European average. More precisely, by 2004, the country's average per capita income had grown from 56% of the EU average to about 74%. The culmination of this process has been the participation of the country as an original founder of the EMU in 1999 (Royo 2004).

However, in contrast to the Greek case, there has been considerable resistance to change in continental Portugal with regard to the pursuit of institutional change and the introduction of a regional tier between the central state and local government. In Portugal, administrative modernization was partly the country's internal necessity to promote administrative capacity and efficiency, but also a response to the incremental pressures stemming from the EU to adjust promptly to the European public policy impetus. Hence, alike Greece, Europeanization was a positive external shock for Portugal, as the country struggled to vanquish the vicious cycle of patrimonialism. The implementation of the Structural Funds encouraged the Portuguese political system towards a more democratic governance system. Thus, Europeanization implied not only modernization, but also democratization of policy formulation and

implementation processes, which required transparency and promoted civil society's mobilization towards the Single European Market and later European Monetary Union (Magone 2011, p. 760, Magone 2000 p. 122-123). As Magone (2000) notes:

*“The administration had to increase its efficiency in view of facilitating the absorption, implementation and monitoring of the structural funds”<sup>53</sup>.*

Doubtlessly, Portugal has profited the most from the European structural funds, undergoing a domestic restructuring of public administration. Europeanization has contributed to a positive virtuous cycle of transformation of the public administrative structures, but this transformation has been relatively slow. Neo-patrimonial<sup>54</sup> features and ways of behavior remain major obstacles to a more comprehensive and successful structural change. Centralization in decision-making procedures, inefficient human resource allocation and low level of qualifications, have been the basic old patterns of behavior inherited from the past authoritarian regime. Therefore, although Europeanization in Portugal has been moving forward, one has to take into account the country's start line in comparison to most other EU member states: Portugal has been a late democratizing country, with many pre-existing neo-patrimonial cultural and structural features. Europeanization processes has come extremely far in overcoming this vicious cycle of reproduction of these features. Nevertheless, they still remain a significant obstacle to the establishment of a more European, decentralized and efficient public administrative structure (Magone 2011, p. 762).

Summing up, with regard to government structures, Greece and Portugal have moved towards some degree of decentralization and modes of multi-level governance within Cohesion policy. Yet, the comparative assessment of the two countries regarding institutional adaptation in the effective and efficient use of the Structural Funds seems to be varying. Specifically, cohesion policy in Greece during the second and third CSFs focused mainly on large-scale physical infrastructure projects, as a

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<sup>53</sup>Magone (2000), p. 122

<sup>54</sup>«Neo-patrimonialism”, influenced by the concept of patrimonialism of Max Weber and Reinhard Bendix, refers to the transition from a more archaic feudal system to the early modern period of absolutism. Neo-patrimonialism can be found in societies engaged in modernization processes from the French and democratic revolutions in 1789 and 1848 and characterizes countries that lag behind economically, socially, politically and culturally compared to the world's long established democracies and economies. Although it has been controversial and difficult to define, it is used in the Portuguese case as a means to describe the mixture of the patrimonial of the personal relations and the legal-rational bureaucratic domination: under neo-patrimonialism, the patrimonial gets through the legal-rational system and spins its functions and effects (Magone 2011, p. 761).

priority of the country's developmental policy. Although the policy outcomes of the second and third programming periods are considered a great success story, the country was still lagging behind in crucial areas that would enhance competitiveness and socio-economic cohesion. On the other hand, in Portugal, where extensive development in physical infrastructure took place during the first two programming periods, structural policy interventions during the CSF III emphasized on knowledge society, human capital and R&D investments. Hence, the evaluation of the comparative study of the two countries points to considerable variation with regard to policy performance, which indicates variation in the pace of Europeanization and institutional adaptation.

#### **4.5 Country Variation: Quality of government performance in Greece and Portugal and the impact of the financial crisis**

For both countries, entering the European Community was a valuable symbol that represented the consolidation of their new democracies and the fact they were part of the modern Western Europe. Even though administrative reforms were principally brought about as external pressures to meet the EU criteria, they were implemented and accepted as part of the deal, notwithstanding the fact that the EU provided great economic support. Following the new institutionalist perspective, these external pressures represented critical junctures, which broke through inertia and led to administrative reforms, mediated by the countries' formal and/or informal domestic features. The centralization of the decision-making processes and the weak civil society, rooted in the past's legacy are also reflected in the low levels of membership and participation in both countries, according to Eurobarometer studies. Consequently, weak social networks and weak features of social organization, such as trust, enhanced the centralization and governmental control of public administration and did not allow coordinated action and improvement in efficiency (Magone 2011, p. 767).

In Greece, despite the significant development that the country enjoyed after joining the European Community, with widespread investments in industry and heavy infrastructure taking place, the period of growth was not accompanied by policies or programmes that would tackle structural problems and eliminate regional disparities.

Instead, since 2005 Greece followed a significant degradation of national competitiveness. Particularly, the 2007-2013 programming period coincided with a great and long-term recession that was the outcome of the global economic and financial crisis. The crisis exposed the country's long-term weakness of economic competitiveness, hitting the Greek state more severely than any other EU member state. During this period, the GDP declined over 26% in real terms. Consequently, the gap in GDP per head between Greece and the EU that had narrowed considerably over the previous years before the crisis, widened remarkably. In addition, the long recession was followed by large-scale job losses. Precisely, the already low employment rate fell from 66% of the population aged 20-64 in 2007 to 53% in 2013, implying that only just over half of the labour force was employed. Similarly, unemployment increased from 8.4% in 2007 to 27.5% in 2013, the highest in the EU (EC 2016, pp. 9-10, DG Regio 2011, p. 10-11).

As the GDP collapsed, the public sector financial balance that was already in great deficit since 2007 further deteriorated, forcing the country and the new government of PASOK –in power since October 2009- to rely on the European Commission, the International Monetary Fund and the European Central Bank (the so called Troika) for a bail out in 2010, amounting to EUR 110 billion. The Memorandum of Understanding (MoU) between the Troika and Greece set harsh fiscal consolidation measures, which consisted of reductions in government investment and a contraction in regional development funds, allowing an EU co-financing rate of 99.8% instead of 75%. But the government did not last long. In the summer of 2011, Prime Minister George Papandreou, in the throes of mass demonstrations, intense public dissatisfaction and extreme pressure from a big part of the Greek citizens, such as the move of the “Indignants – *Aganaktismenoi*” asked for the consent of the official opposition party, which he did not receive. A few months later, he proceeded to the unexpected move of announcing a referendum, which contributed not only to the collapse of his government but also to his political discredit (Marantzidis 2015).

Under conditions of fiscal panic and political upheaval, a new transitional government took shape at the end of 2011, under Prime Minister Loukas Papademos, a distinct economist and banker that received the wide approval of the Greek parliament, aiming in making the necessary decisions and implementing the required reforms with an enlarged parliamentary majority. The fourth review of the progress

on the MoU -conducted by the Troika in May 2011- concluded that the country needed a second bail out and more time in order to resolve its debt crisis. Thus, in March 2012 –and in the midst of great political imbalances- a second economic adjustment programme was decided for Greece between the EU member states and the Troika. The new plan included a second EUR 100 billion loan and a cut in the country’s debt to 120% of GDP by 2020, followed by a 50% haircut of governmental bonds of all private holders and an austerity package comprising of spending cuts, revenue increases, tax rises and fastening privatisations (EC 2016, p. 9-10).

Under unusual conditions of political instability, the elections that took place in May 2012 were marked by the end of the dominant two-party system. Both ND and PASOK were confronted with their electoral collapse, while a new political force, the party of SYRIZA<sup>55</sup>, emerged. A month later, after the polarized June elections, a new three-party coalition government took place, under the premiership of the ND leader Antonis Samaras (Marantzidis 2015).

Although a number of reforms had been taken under the second bail-out plan, the public sector financial balance was still in 13% of GDP in 2013, despite the on-going strict austerity measures imposed by the financial institutions as a return for the country’s loans. Consolidated public debt was already large before the onset of the crisis and rose to 178% by 2013. In addition, public investment related to GDP was reduced by 50% during this programming period. Despite some increase in the following two years, in 2015 it remained just over 50% of the level in 2006 (EC 2016, p. 9-10).

The coalition government formed in 2012 encountered many obstacles from the opposition, but also endogenous difficulties. Most of the inner adversaries stemmed from the “anti-memorandum” parts of the coalition, both from the right and the left wing and Prime Minister A. Samaras struggled balancing between reform and immobility. Under such circumstances, and after the failure to elect the President of Democracy, the parliament was dissolved on December 2014 and new elections were held in January 25, 2015 (Marantzidis 2015).

Based on an anti-austerity programme and taking advantage of the dudgeon and disappointment of a big part of the electorate, the party of SYRIZA led the polls, becoming the largest party in the Greek Parliament and formed a coalition

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<sup>55</sup> The political party of SYRIZA was originally founded in 2004 as a coalition of the left-wing and radical left parties.

government with the right-wing national-conservative political party ANEL, under the premiership of the SYRIZA leader Alexis Tsipras. The anti-austerity position of the new government was not welcomed by foreign investors, the Eurozone and the Troika and after six-months of deep political and fiscal recession, a third bail-out plan was signed on July 2015. However, the rejection of the terms of the third memorandum by a number of SYRIZA's members of the parliament, led the government to the loss of the majority in the Greek parliament and new elections were scheduled for the second time within this year. On September 20 2015, SYRIZA led the elections and renewed the previous coalition agreement with the party of ANEL. The table below is indicative of the successive elections that took place and government coalitions that were formed during the period of the financial crisis:

**Table 4.1: Successive governments in Greece (2009 – 2019)**

<b>Year</b>	<b>Party (-ies) in government</b>	<b>Prime Minister</b>
<b>2009 - 2011</b>	PASOK	George A. Papandreou
<b>2011 - 2012</b>	National unity government: PASOK + ND + LAOS	Loukas Papademos
<b>2012 - 2015</b>	Coalition government: ND + PASOK + DIMAR	Antonis Samaras
<b>26-01-2015 - 27-08-2015</b>	Coalition government: SYRIZA + ANEL	Alexis Tsipras
<b>2015 - 2019</b>	Coalition government: SYRIZA + ANEL	Alexis Tsipras

*Source:* own elaboration

Alike Greece, Portugal was one of the south European countries badly affected by the global financial crisis. Even before the global recession, the over-reliance of the country to the textile industry resulted in a slowdown of the GDP to only around 1% a year during 2000-2007, well below the EU average. Over 2007-2009 the GDP fell over 1.4%, remained stable until 2011 and declined again by 2.6% a year till 2013 (EC 2016b, p. 10).

The balance in public sector had already been in deficit in 2007 and due to the fact that the Portuguese government had failed in managing the effects of the economic recession on government accounts, the global financial crisis pushed the

deficit to almost 10% of the GDP by 2009. The Portuguese Socialist Party, which won the elections in 2009 and formed a minority government under the premiership of José Socrates, had to implement a strict legislative package in order to reduce the deficit. However, as things were getting worse and the government needed the Parliament's approval so as to proceed in further cutting in deficit, which did not happen, it resigned and new elections were called in June 2011 (Lains 2018, p. 12).

In May 2011 and before the elections, the international financial crisis, which spread to sovereign debt, in combination with the country's weak economy, large external deficit and high level of government deficit, led Prime Minister José Socrates of the Socialist government –supported by two centre-right parties- to sign the Memorandum of Understanding (MoU) with the Troika (European Commission, European Central Bank, International Monetary Fund). The MoU gave the Portuguese state access to a 78€ billion bail-out to make up for the sudden stop of inflows of external finance (Lains 2018, p. 12-13).

The bail-out plan was formed around three pillars: measures aiming in job creation –especially for young people- and the enhancement of the country's competitiveness; fiscal measures in order to reduce the public debt and deficit and that would restore the market confidence; and the stability of Portugal's financial sector. The slow growth and the large public deficits increased arguments and opened the way to sharp reductions in the size of the state, government expenditure and alterations in labour legislation in order to encourage private domestic and foreign investment and enhance the Portuguese external competitiveness. Taking advantage of these views, the centre-right Social Democratic Party under the leadership of Pedro Passos Coelho won the 2011 elections and formed a coalition-government with the Christian Democratic Party (Lains 2018, p. 13).

The financial measures taken under the Economic Adjustment Program were largely concentrated in public expenditure, resulting in its decline from 4% in 2009 to only just over 2% in 2014 and well below the EU average (Lains 2018, EC 2016b, p. 10). Additionally, in March 2013, the Minister of Finance, Vitor Gaspar, announced that the total budget adjustment for 2012-2013 would amount to 15.4€ billion, instead of 7.6€ billion that was established in the MoU, doubling the level of austerity. Nevertheless, the harshness of the austerity measures was cut back by the Portuguese Constitutional Court in 2013, preventing the government from undergoing a number of large budgetary cuts. This act was strongly criticised both inside and outside of the



country, with the President of the European Central Bank blaming the Portuguese Court's decisions for the country's bad performance in the international financial markets (Lains 2018, pp.12-15).

Following the troika interventions and after a number of fiscal consolidation measures, the economic effects of the recession have been rather harsh, with the GDP declining by 8% between 2008 and 2013 and the recession sticking significantly lower income earners. During 2013-2015, signs of economic recovery began to arise, with the GDP starting to accelerate and the public sector deficit declined significantly. However, it remained still over 4% of the GDP in 2015, when the public sector debt almost doubled since 2007 and amounted to 129% of the GDP, well above the EU average. In a similar vein, within the period 2007-2013 the employment rate fell from 72.5% to 65.4% and unemployment escalated from 8% to almost 16.3% during the same period. During the following years, the employment rate increased and unemployment decreased remarkably, although the rate of growth did not change significantly (EC 2016b, p. 10).

In a strange manner, austerity measures were viewed quite positively in Portugal, in high contrast with Greece where criticism on Troika interventions and debt renegotiations led to wide demonstrations and great political instability. The moral arguments expressed by the Portuguese press implied that cuts in the state's social expenses, wage reductions and fiscal discipline were part of a difficult pathway where there was no alternative. In addition, the elections held in November 2015 changed the political cycle and led to the formation of a minority government led by the Socialist Party under the premiership of Antonio Costa with the parliamentary support of the Communist Party and the Left Block. By then, the country's economic recovery was visible, although only mildly and the Portuguese economic response was regarded as a success by the European Commission, characterizing Portugal as the "good pupil" of the Eurozone (Lains 2018, p. 14-18). The table below figures the successive governments and government coalitions that were in power in Portugal during the financial crisis:

**Table 4.2: Successive governments in Portugal (2009 – 2019)**

Year	Party (-ies) in government	Prime Minister
2009 -2011	PS	José Socrates
2011 - 2015	Coalition government: PSD + CDS-PP	Pedro Passos Coelho
30-10-2015 - 26-11-2015	Minority government: PàF (PSD + CDS)	Pedro Passos Coelho
2015 - 2019	PS	Antonio Costa

Source: own elaboration

However, despite the important similarities, the two countries have also been characterized by considerable differences, which became more evident after the break out of the financial crisis in 2010. As it has been already seen, in Greece, the post-authoritarian period has been characterized as rather smooth and successful, since, after the end of the military *junta*, the dictators themselves asked the right conservative politician Konstantinos Karamanlis to restore democracy. The democratization process coincided with the country's entry in the European Community and was followed by reforms concerning the democratization of the state and the institutionalization of basic human rights, which further deepened the restoration and consolidation of democracy. Nevertheless, institution building has been rather poor during this period and the modernization process has not managed to tackle the legacy of bureaucratic clientelism and partitocracy (Paraskevopoulos 2017, p. 30). Obviously, these pathologies of the Greek state have favoured the development of a confrontational environment and a conflictual and clientelistic pattern, which, combined with the deficient administrative infrastructure, has inhibited institutional capacity for reform and policy adjustment.

Contrastingly, in Portugal, transition to democracy has been followed by a “revolutionary mobilization”. Transition to democracy, between 1974 and 1976, was more than difficult and the task of conquering the pre-existing traditional features of clientelism, patronage and close-mindedness was complex and challenging. In addition, the conflicting party climate deteriorated the already unstable political system. But soon, the prospect of joining the European Community and later the challenges brought by the EMU accession facilitated the development of a more “consensual” policy environment in several policies, through negotiated social pacts.

Despite the fact that after joining the EMU social pacts did not take place frequently, the institutional structure remains in place (Petmesidou & Glatzer 2015).

Differences in the two countries are also prominent in the way in which political parties relate to their social base. Practices of clientelism and patronage are considered to have had a long impact on socio-political integration. Literature defines socio-political integration in Greece as an “eccentric majoritarianism”, combining populism with electoral overbidding in clientelistic and rent-seeking behaviour. This statist pattern, combined with the pervading interventionist state, has not favoured effective and efficient socio-economic policy planning. In Greece, patronage networks and clientelistic exchanges define electoral support, although during the financial crisis resources for political overbidding have been restricted (Petmesidou & Glatzer 2015).

On the other hand, in Portugal, the stronger tradition in compromise resulted in the resilience of the political structures, which has been evident during the signing of the MoU. The bail-out was signed by the Socialist Party, enjoying the support of the Social Democratic Party, which accepted its implementation without strong opposition. According to Fernandes (2012), this consensual environment may be linked to Portugal’s dense and participative popular and middle-sector civil society, as a result of the country’s recent history. This has not been the case in Greece, where the government of PASOK was blamed for signing the MoU and the undertaking the implementation of harsh austerity measures and eventually came to its nadir of political support in the 2015 elections (Petmesidou & Glatzer 2015, p. 159-161). In addition, the consensual mode seems to have deep institutional roots and the tradition of compromise has played a crucial role in the country’s performance in implementing Cohesion policy. Thus, overall, even though the two countries have followed similar paths, important differences in socio-political dynamics that dominated the post-authoritarianism period account for variation in domestic institutional and policy-making structures.

With this regard, the quality of government elements outlined throughout previous chapters, are all considered to be constraints resulting from past arrangements that are difficult to change over time, creating vicious cycles, despite the ongoing reforms imposed either by the Europeanization of regional policy or economic trends, such as the financial crisis. In this regard, pre-existing patterns of domestic organization and political procedures are considered to be the inheritances that structure collective behaviour and produce distinctive outcomes, through a form

of “path dependency”: administrative reforms and institution-building are manoeuvring through formal and informal norms, routines and procedures and are shaped accordingly (Spanou & Sotiropoulos 2011, p. 734). Thus, it goes without saying that adjustment cannot but follow pre-established paths in line with the pre-existing features.

In this respect, it is suggested that the notion of quality of government complements the academic literature by accounting for variation in the reform and adaptation processes in the two countries. Thus, they are considered fundamental in measuring the level of adjustment of policy-making and adaptation of the domestic institutional structures by shaping interaction among actors facilitating or inhibiting coalition building.

With regard to the World Bank Governance indicators, the figures below show that Greece demonstrates very low levels of the Quality of Government indicators. Particularly, in all measurements of QoG, that is government effectiveness, political stability, rule of law, voice and accountability and control of corruption, the Greek lags behind other south European countries, demonstrating low performance in institutional and administrative capacity. The above indicators constitute crucial parameters regarding reform and adaptation capacity. Moreover, the country’s performance has been further deteriorated during the years of the financial crisis and even more since 2015<sup>56</sup>, being placed well below the EU average. Therefore, according to the QoG index of the EU member states developed for the European Commission, Greece is placed to the group of low performing countries, along with Italy, Lithuania, Czech Republic, Latvia, Romania, Bulgaria, Poland, Hungary and Slovakia, namely the Balkan and Eastern European countries, with the exception of Italy (EC 2010).

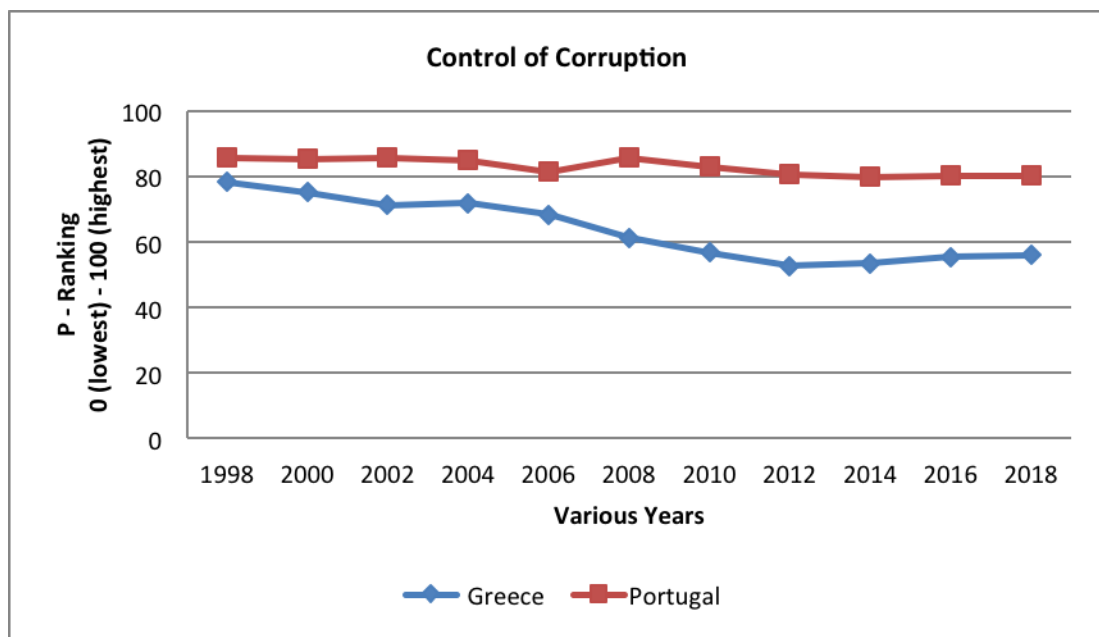
Conversely, Portugal has been demonstrating medium to high levels in all QoG measurements. In particular, according to the World Bank Governance Indicators, the country has been performing really well –and close to EU average- in control of corruption, government effectiveness, rule of law, voice and accountability, political stability and regulatory quality, being placed in a clear better position compared to other south European countries. The above indicators constitute crucial parameters regarding the reform and adaptation capacity. In addition, the country’s good

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<sup>56</sup> The country’s bad position regarding governance indicators has been further deteriorated since 2015, during the SYRIZA-ANEL populist coalition government.

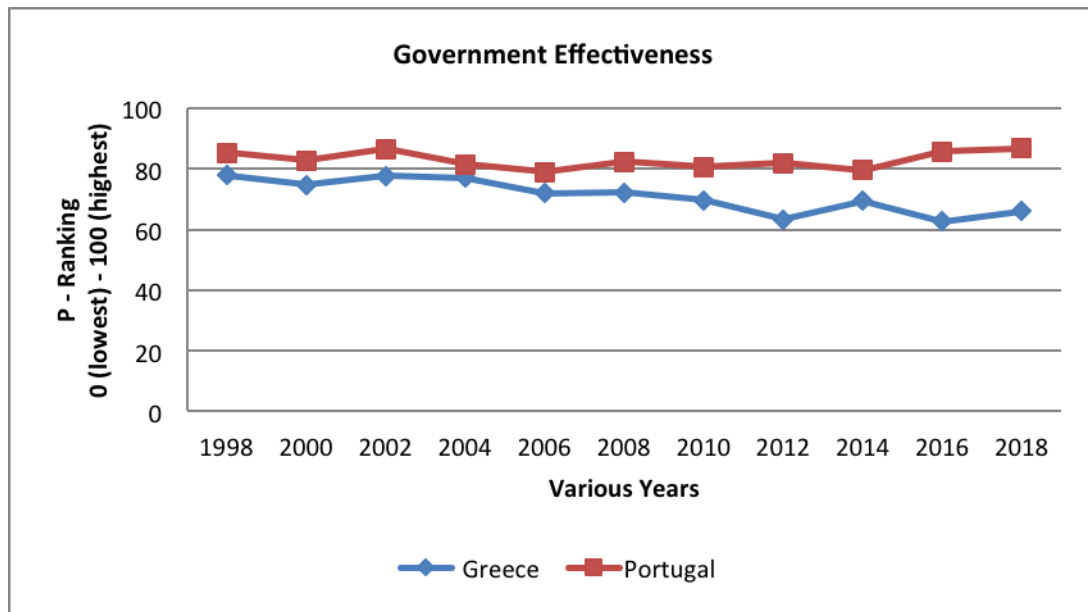
performance has changed only slightly during the years of the crisis (between 2010 and 2013) and has been showing improvement after the completion of the MoU in 2014. This good medium to high performance is further vindicated by the cluster analysis of the QoG study for the EU Commission, which places Portugal in the group of medium performing countries alongside Spain, France, Malta, Cyprus, Belgium, Estonia and Slovenia (EC 2010).

**Figure 4.1 Control of Corruption**



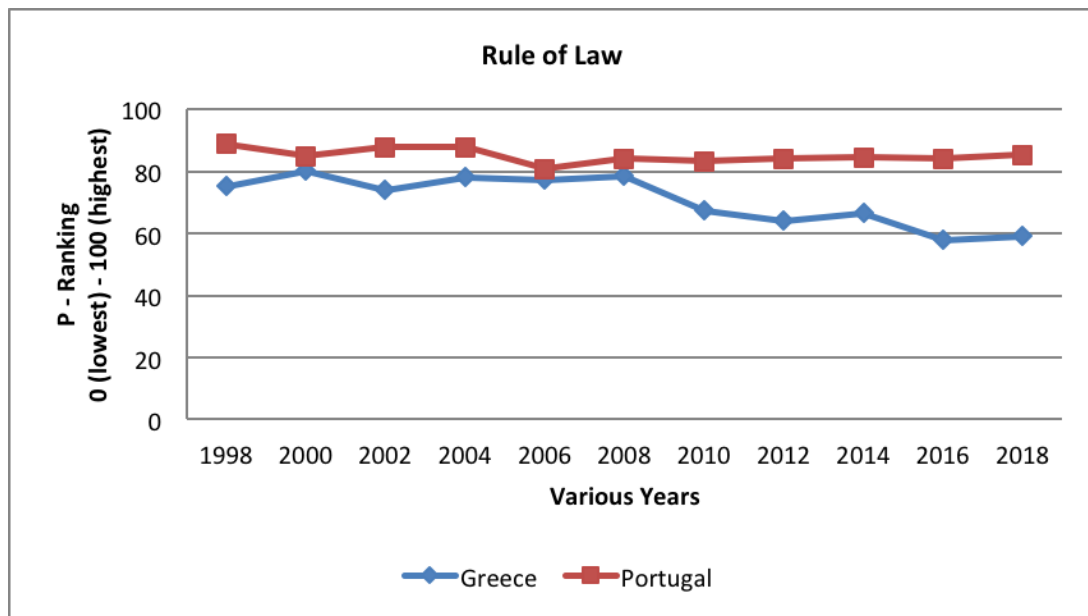
Source: World Bank Governance Indicators, various years

**Figure 4.2 Government Effectiveness**



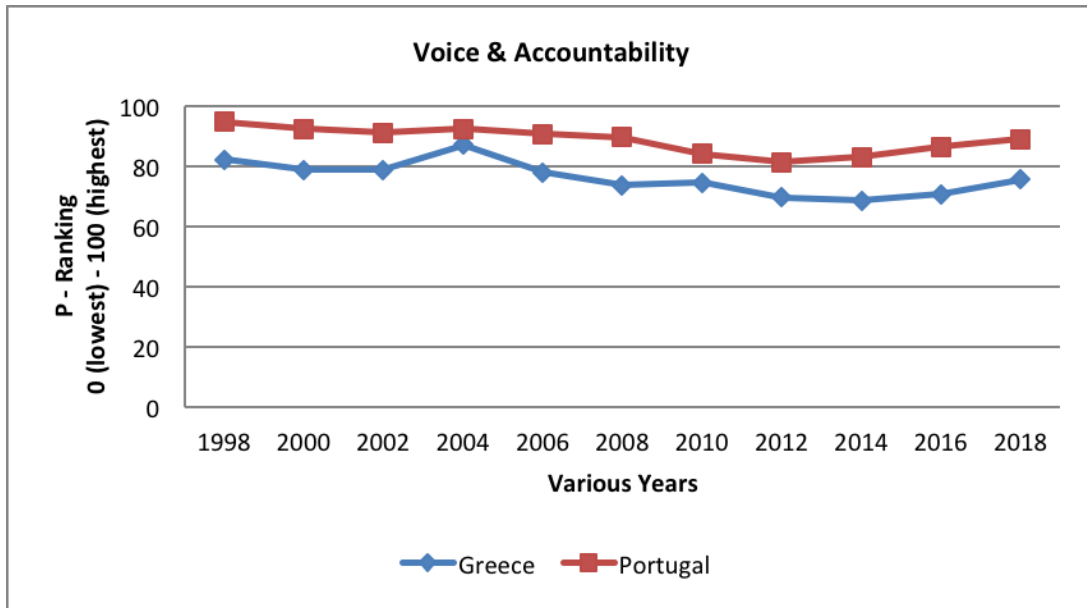
Source: World Bank Governance Indicators, various years

**Figure 4.3 Rule of Law**



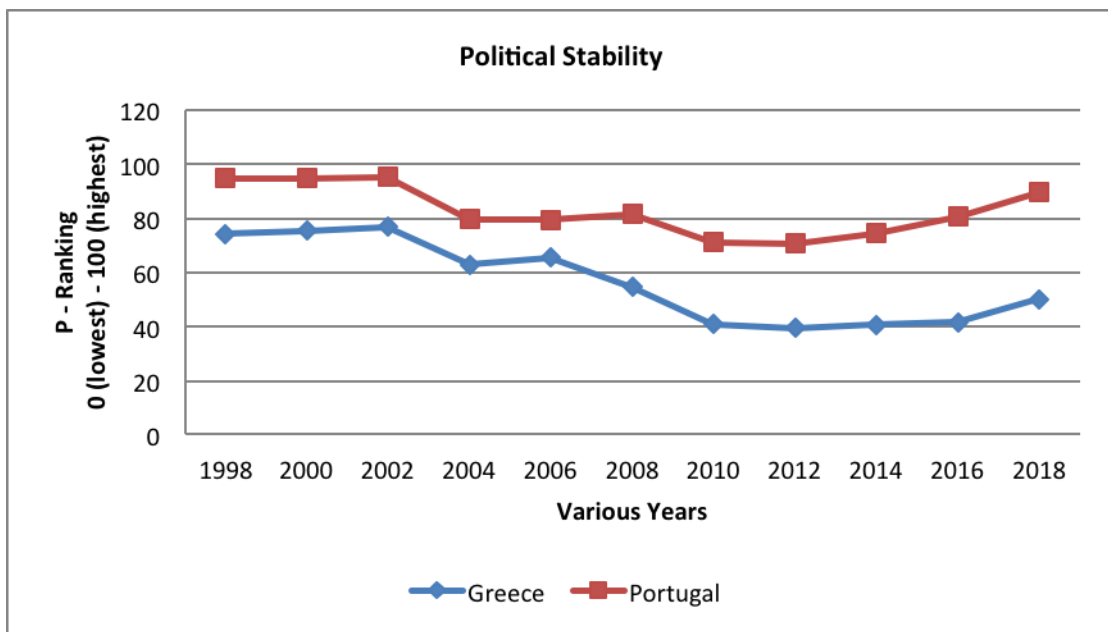
Source: World Bank Governance Indicators, various years

**Figure 4.4 Voice and Accountability**



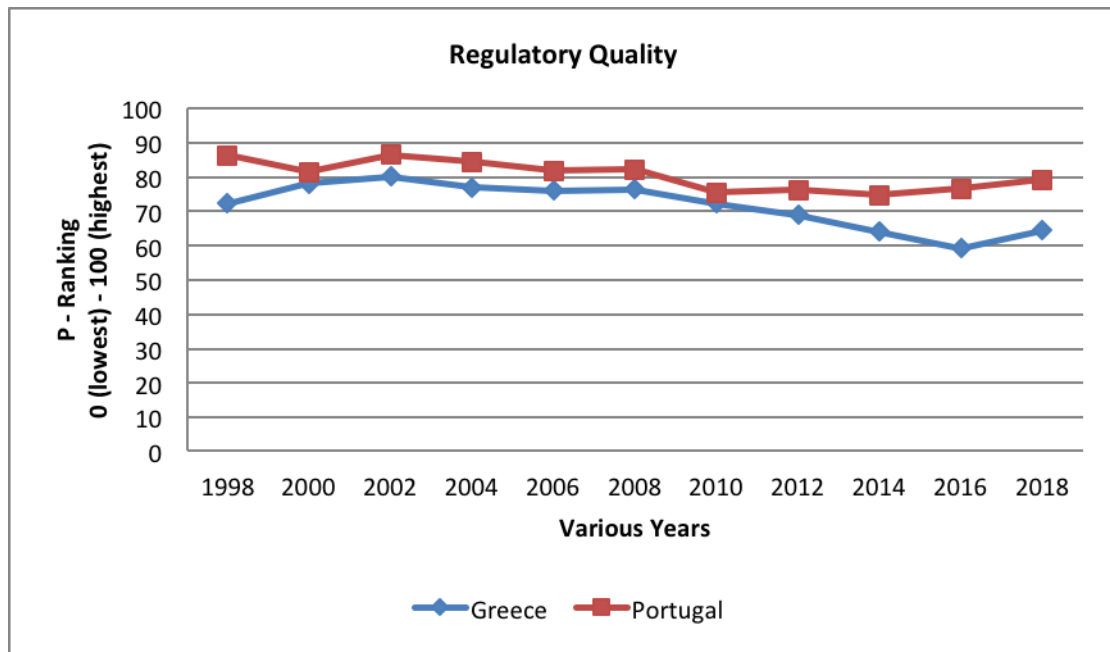
Source: World Bank Governance Indicators, various years

**Figure 4.5 Political stability**



Source: World Bank Governance Indicators, various years

**Figure 4.6 Regulatory Quality**

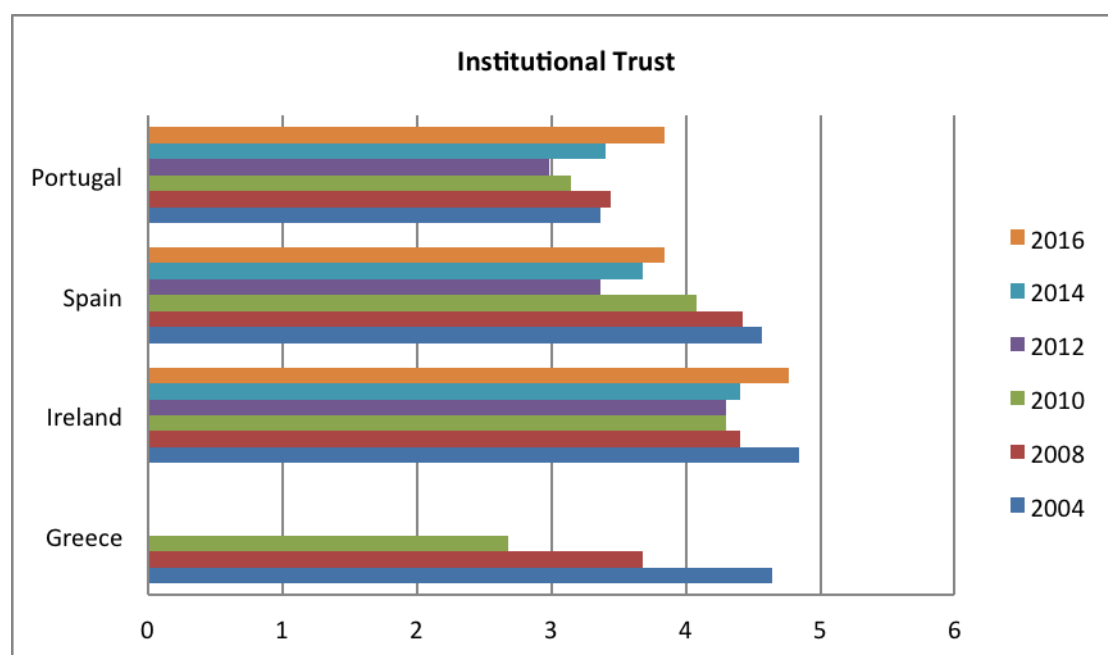


Source: World Bank Governance Indicators, various years

As the latest EC reports on Cohesion policy highlight, QoG goes hand in hand with trust, and precisely low QoG erodes trust in policy institutions. With regard to institutional trust, which is part of the present research, Greece demonstrates very low levels of trust in political and law institutions (namely political parties, politicians, national government, police and the legal system), with the latter declining significantly during the years of the crisis. Although there are many factors affecting the level of trust, following the institutionalist theory of trust, the research emphasizes the poor performance in quality of government as a serious cause of the decreasing levels of both social and institutional trust. However, -and in a similar vein to Greece- Portugal also demonstrates low levels of institutional trust, which have declined significantly during the years of the crisis. Despite the high levels of QoG indicators, the levels of institutional trust remain very low in Portugal, while in the years after the economic recovery, they have been slightly improving:



**Figure 4.7 Institutional Trust in EU member states (2004-2016)**



Source: European Social Survey (ESS)

Unfortunately, a limitation of the case study has been the unavailability of ESS data, since Greece has not participated in ESS rounds after 2011. Thus, it is certainly unfortunate that precious ESS data regarding institutional trust during the first years of the financial crisis have not been collected. Nevertheless, academic evidence suggests that the Greek civil society remains fairly underdeveloped (Ervasti *et al.*, 2019). Despite the fact that after the onset of the crisis in 2010, the level of volunteering augmented and organizations became more active, most non-economic interest organizations are not encouraged to participate in policy-making procedures (SGI 2019b., p. 54). Most of them do not have the resources to become involved in policy formulation nor does the Greek state invite them to do so. Moreover, the tradition of clientelism still exists and the tendency to forge patronage relations has not been tackled. Political parties continue to staff ministerial cabinets and echelons of public bureaucracy with their supporters and the voters welcome this practise. Although there is a tradition of organized interest groups voicing their opinion in policy issues relevant to their interests, participation in policy-making procedures has not improved (SGI 2019b, p. 48-49).

On the other hand, the Portuguese public's policy knowledge is limited and erratically distributed. In addition, the insufficient and incomplete explanation of policy by the government, as well as of policy alternatives by the opposition, the

limited in-depth policy analysis, the presentation of policy in a way that tends to be exclusionary for most citizens and the weak civil society that lacks the capacity of informing and educating citizens on policy issues have rendered citizens' participatory competence as rather low (SGI 2019a, p. 44, SGI 2018, p. 37-38).

A study on political institutional trust in Portugal attempted to shed light on the factors that led to the decline of institutional trust between 2008 and 2012. According to Torcal (2014), the financial crisis -accompanied by a social crisis- place the democratic institutions under considerable pressure, since shortage and recession produce great political and social conflicts. National institutions are impelled to respond to these conflicts fairly and follow universal programmes. However, according to citizens' perceptions, this has not been the case in Portugal and therefore institutional trust has been deteriorated. Moreover, European membership and multi-level governance could be another potential factor negatively affecting institutional trust. The economic recession that occurred during this period have obliged the national government to implement harsh austerity measures imposed and supervised by the European Union and the IMF. This may have increased citizens' perception that national institutions do no longer matter when it comes to representing their priorities and thus, they are perceived as non-responsive to their demands (Torcal, 2014).

Overall the available data of quality of government at the national scale point out that Portugal performs better and close or above the EU average in all areas regarding government and administrative capacity, while Greece's scores are significantly low and the country still lags behind. Yet, the impact of the financial crisis on quality of government has been obvious for both countries. In Greece, deterioration in all critical quality of government indicators has been considerably apparent, while in Portugal although notable negative shifts have occurred, they have been rather limited and the performance of the country has clearly ameliorated after 2012. Interestingly, the low levels of institutional trust compared with the good performance in QoG rendered Portugal an interesting case that deviates from the institutional theory of trust. However, the national level data do not tell the whole story. Although they are definitely relevant as a starting point, measuring QoG at the regional level within most countries is considered an uncharted territory that requires further analysis. In this respect, the research proceeds to the investigation of the two regional case studies.

## Conclusion

After transition to democracy, both Portugal and Greece have been delivering power to the European supranational institutions, but have somehow been reluctant in decentralization. In an era of multilevel governance and within the European context, where there has been a great movement towards decentralization elsewhere, despite the decentralization progress made in both countries –although limited in Portugal– the central government continues to control the main political economic and financial instruments that would permit some kind of independence to subnational authorities. Old patterns in institutions are not easily changed and preexisting domestic characteristics cannot easily be abolished. Historical institutionalism teaches that radical changes come at “critical junctures” and as a response to external shocks. Historical institutional traditions in politics and state cannot just be put aside when measuring Europeanization.

Thus, one of the major conclusions regarding the study of the two countries is that institutional and policy adjustment has been a slow process of incremental small changes controlled by path dependency. Although institutional change did occur in both countries, it has been characterized by variation in the implementation of the structural funds, both in institutional arrangements and in policy outcomes. In this respect, to account for this variation the chapter turned to the Quality of Government, which has been identified as a mediating variable regarding the capacity for institutional and policy adaptation.

## Chapter 5

### **Regional disparities and the challenge of adjustment in Greece: the case of the Region of Attica**

#### **Introduction**

It has been widely accepted that the contribution of the EU Cohesion Policy goes beyond its economic and social dimension –that is to reduce the inter-regional and inter-country disparities of the Union- and it also challenges well-established domestic structures, through the system of multi-level governance. Undoubtedly, Greece, a traditionally unitary and highly centralized state, has taken steps forward over the years regarding the decentralization of policy-making. Additionally, the institutional reform that guided the Greek CSF III and was described previously in Chapter 4 has been a move towards adaptation and institutional evolution. Indeed, the introduction of the Managing Authorities should not be undermined, however it should be noted that they are not part of the regional administration and one should not perceive them as regional interests' representatives. In this respect, research now focuses on the possible evolution regarding the principle of partnership at the sub-national level during the fourth programming period, through a case-study approach. Therefore, the aim of this chapter is to assess the sub-national mobilization in the most competitive region of Greece -the Region of Attica- within the implementation of its Regional Operational Programme during the fourth programming period 2007-2013, shedding light to the mediating variables that may account for divergence and regional path dependencies.

**Map : Greece and NUTS II Regions, GDP/head (PPS), 2014**



**Greece: GDP/head (PPS) by NUTS-2 region, 2014**

- Index, EU-27 = 100
- < 50
  - 50 - 75
  - 75 - 90
  - 90 - 100
  - 100 - 125
  - >= 125
- ⋈ NUTS2 boundaries

Sources: Eurostat, DG REGIO

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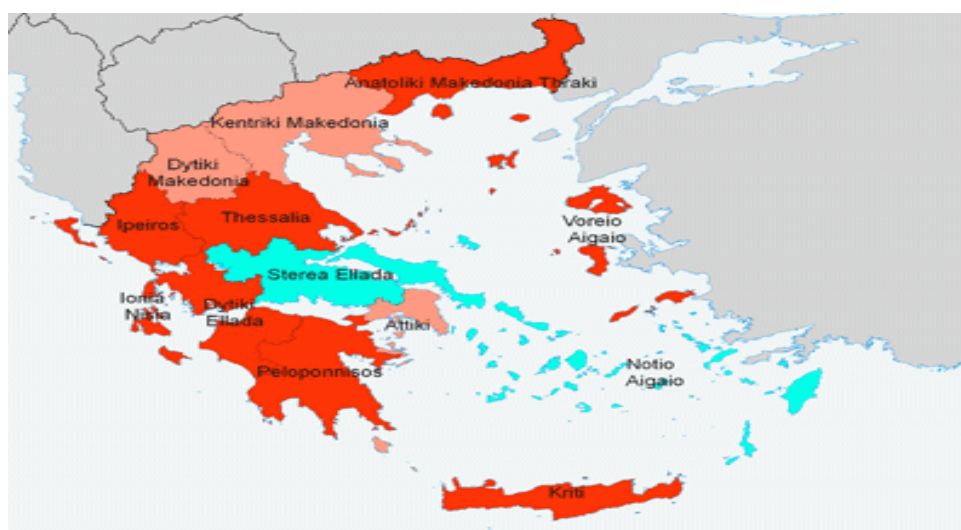
**Source: DG Regio**

## 5.1 Regional disparities in Greece

Greece faces a serious regional disparities' problem at both the inter-regional and intra-regional level and there is a considerable development gap between the country and the EU average, notably in terms of competitiveness. In this respect, regional policy in Greece aims in addressing both national and regional aspects. The main focus however has been on national rather than the regional level development, in order to decrease the gap between the country and EU development (DG Regio 2011, p. 11-12).

As seen in Chapter four, Greece is divided into 13 NUTS II regions. In the 2007-2013 programming period, three out of thirteen regions were accorded phasing-out status under the Convergence Objective (Attica, Central Macedonia, Western Macedonia), two were accorded phasing-in status under the Competitiveness and Employment Objective (Central Greece, South Aegean) and the remaining eight were had the Convergence Objective status (Eastern Macedonia, Thrace, Thessaly, Epirus, Ionian Islands, Western Greece, Peloponnese, Crete, North Aegean).

### Convergence and Competitive Objective Regions in Greece



- Convergence Regions
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness & Employment Regions

Source: DG REGIO

There are several factors that determine regional disparities in Greece (and elsewhere), the main of which include the core economic sectors (manufacturing, agriculture, tourism), the level of urbanism, transport and infrastructure endowment, topography and the level of education attainment. About half of the total population and most of the industrial activities (textile, food and clothing) are based in the two major urban centres of Athens (Attica) and Thessaloniki (Central Macedonia), where both metropolitan areas are characterized by better transport infrastructure. In addition, both these metropolitan centres are wealthy, with the region of Attica having the highest performance regarding productivity growth and being the only region outperforming the EU average in GDP per head (128%). On the other hand, the island regions (Crete, South Aegean and North Aegean) are much less populated, they have an adequately developed level of infrastructure and rely mainly on tourism. However, due to their climate that favours tourism and natural energy resources, they are also above the national GDP per head. Finally, the remaining regions are basically mountainous, rural, with limited industrialization and lower levels of economic development and face all the challenges and regional disparities of remote areas (EC 2016, p. 11, DG REGIO 2011, pp. 11-12).

The educational level also gives evidence about the regional disparities in the country. Attica –hosting the largest universities- is ranking top, while the regions of Central Macedonia, Thessaly and Crete are following. In the less developed regions (Peloponnese, Eastern Macedonia, Thrace, Western Greece) more than the 20% of the employed population is occupied in the agricultural sector, thus participation of these regions in the highly technical and competitive economy aimed with the EU 2020 strategy has been rather limited (EC 2016a).

The evaluation of the CSF III (2000-2006) revealed that the regional disparities in the country widened. In phasing-in and phasing-out regions (Transition regions), Gross Value Added (GVA) per head grew by 5% average and in Convergence regions by 3%. During the 2007-2013 programming period, regional disparities' widening did not go further, but there was little convergence either. In Convergence regions the GDP per head in 2014 was almost the same compared to that of Transition regions as in 2007. Likewise, in both sets of regions the employment rate declined by 11% between 2007 and 2015 and the unemployment level expanded in both almost equally

(EC 2016a, p. 11). The table below illustrates the range of regional disparities in Greece during the fourth programming period:

**Table 5.1: Regional disparities in Greece, (2011, 2016)**

Territorial sector	Unemployment rate (% of labour force aged 15-74)		GDP (€ per inhabitant)		Tertiary education attainment (% of population aged 25-64)		Human resources in science & technology (% of labour force)	
	2011	2016	2011	2016	2011	2016	2011	2016
NUTS II Regions								
<b>Attica</b>	18	23	<b>25.400</b>	<b>22.200</b>	11,9	10,3	<b>40,5</b>	<b>46,5</b>
<b>Crete</b>	15,9	22,6	15.500	13.800	<b>7,1</b>	14,2	24,9	31
<b>Peloponnese</b>	<b>13,8</b>	19,2	14.900	13.600	16,7	-	22,3	25,2
<b>Epirus</b>	16,5	24,4	<b>13.300</b>	11.800	-	10,6	28,4	33,5
<b>Thessaly</b>	16,9	25,5	<b>13.300</b>	12.700	10,7	11,9	28,4	30,6
<b>Central Macedonia</b>	19,8	24,5	14.600	12.900	9,7	<b>9,4</b>	34,1	36,5
<b>Eastern Macedonia &amp; Thrace</b>	20,2	22,8	<b>13.300</b>	<b>11.400</b>	10,6	11,3	24,8	28,7
<b>Western Macedonia</b>	<b>23,1</b>	<b>31,3</b>	16.900	14.400	10	17,9	25	28,7
<b>Central Greece</b>	19,1	25	16.500	14.700	12,1	14	22,6	25,8
<b>Western Greece</b>	17,6	17,6	13.900	12.100	7,3	10,4	27,8	27,5
<b>Ionian Islands</b>	14,2	<b>16</b>	16.600	15.200	-	<b>19,6</b>	22,7	24,4
<b>South Aegean</b>	15,3	17,5	19.700	17.800	<b>16,8</b>	9,9	<b>21,5</b>	<b>21,9</b>
<b>North Aegean</b>	15	18,3	14.700	12.300	18,9	16,3	25,7	32,6

Source: Eurostat, EU Commission, various years, (- = no data available)



## 5.2 The National Strategic Reference Framework 2007-2013

The core objectives of the Greek National Strategic Reference Framework (NSRF) of the programming period 2007-2013 were formulated around the following five thematic priorities: a) investment in the productive sector of the economy; b) innovation and knowledge society; c) employment and social cohesion; d) institutional environment and e) attractiveness of the country and the Greek regions as places to invest, work and live (EC 2016a, p. 11).

These priorities were pursued through ten Operational Programmes (OPs) –five regional ones and five sectoral<sup>57</sup> with national coverage. The five regional<sup>58</sup> OPs involved all thirteen regions (integrated into five geographically neighbourhood entities), including both Convergence and Transition ones. In addition, there were three Cross Border Cooperation OPs between Greece and Bulgaria, Italy and Cyprus.

Due to the bail-out plan and the strict austerity measures regarding public expenditure that the country underwent during this period, the European Commission agreed in facilitating spending through advanced payments and by raising the EU co-financing rate from 75% to 99.8%. Hence, national contribution was diminished considerably, from EUR 4.3 billion to only EUR 40 million. Nevertheless, this resulted in a significant reduction in the overall funding for development programmes. Thus, instead of EUR 20.2 billion that was initially planned, the European participation in the Public Investment Program amounted to EUR 15.9 billion in total, of which 3.7 billion was financed by the Cohesion Fund (EC 2016a, p. 11-12).

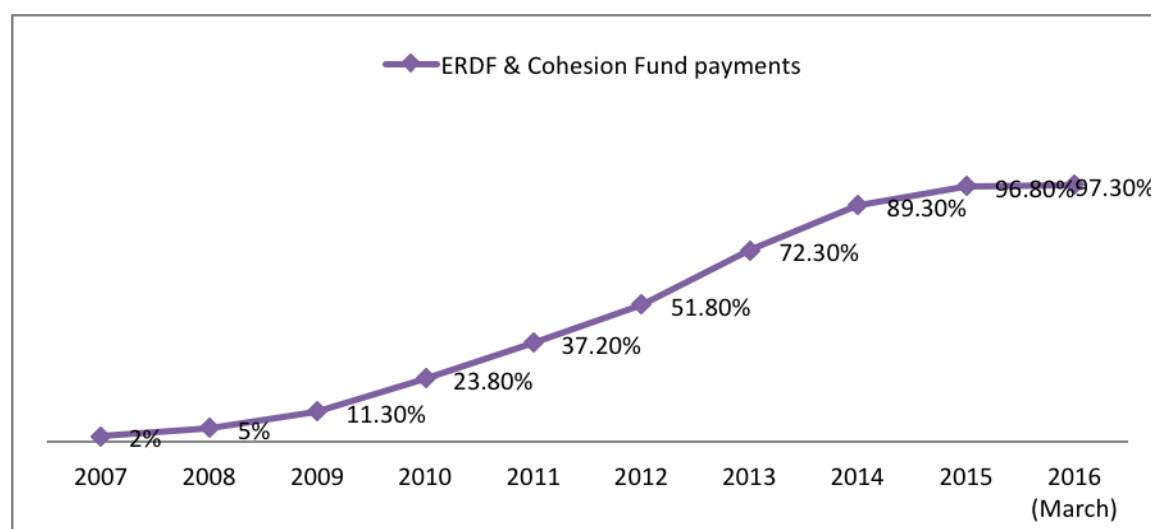
The total amount of funds remained unchanged throughout the seven-year programming period and was equivalent to 1% of the annual GDP and 19% of total government expenditure. This fact however, combined with the funds' shifting in policy areas, resulted in a significant acceleration of the completion of the projects from 2012 onwards, but inevitably reduced the overall amount allocated by Greece to the NSRF development programmes (DG Regio 2016).

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<sup>57</sup> The five sectoral Operational Programmes of the NSRF 2007-2013 are: OP Competitiveness and Entrepreneurship; OP Digital Convergence; OP Improvement of Accessibility; OP Environment and Sustainable Development; OP Technical Assistance

<sup>58</sup> The five regional Operational Programmes of the NSRF 2007-2013 are: OP Attica; OP Western Greece – Peloponnese – Ionian Islands; OP Macedonia – Thrace; OP Thessaly – Central Greece – Epirus; OP Crete – Aegean Islands

**Table 5.2 NSRF 2007-2013 absorption in Greece (% of total funding available)**



Source: DG Regio, March 2016

Despite the many problems faced, namely the financial crisis and the low absorption rates until 2012, the ex-post evaluation report of the Greek NSRF 2007-2013 concludes that more than 21,000 job positions were created during this programming period –all in small and medium sized enterprises- 15,000 of which were on the research field. Additionally, more than 26,000 start-up enterprises and about 560 research and innovation projects were funded. The report estimates that in 2023, the country’s GDP will have been increased by 3%, due to the Structural Funds resources (EC 2016a, p. 12-13).

Finally, many shifts have been made during this programming period, both within and across policy areas. In particular, concerning the sub-sectors that the NSRF 2007-2013 contributed to, transport enjoyed a significant part of share, since 39% of the funding was absorbed by road and rail networks. Indeed, funding for road networks increased by 25% (to the detriment of railways), mainly due to 24 major projects that remained incomplete during the CSF III and were transferred to the fourth programming period, as well as a 2012 legislation that facilitated expropriations and the reimbursement of payments in infrastructure projects. Furthermore, another notable shift during this period, concerned the “Innovation and Enterprise support” projects, where funding increased from 12% to 19%. It goes without saying that this re-orientation of EU funding has been a response to the austerity challenges imposed by the financial crisis (EC 2016a, p. 13).

Indeed, the effects of the financial crisis that the country faced have been part of extensive reference in the European Commission's report on Cohesion policy for the Greek NSRF 2007-2013, since austerity coincided over time with the biggest part of the absorption of the program. According to the evaluation report, all Greek thirteen regions have been affected similarly by the financial crisis, with the GDP per capita falling sharply everywhere, indicating however, that inequalities between the richest and the poorest regions have not been altered. Consequently, projects regarding the support of the private sector, innovation and youth unemployment reached the amount of funding, at the expense of actions regarding the categories of "Environment" and "ITC for citizens and businesses" (EC 2016a, p. 13).

With regard to the delivery system, one should not overlook the fact that the European Commission's report signifies the limited cooperation between the central and local government administration, with tendencies to centralization on behalf of the central state and considerable weaknesses regarding planning, project selection, implementation, compliance with legislation and financial management. In particular, the report cites political interventions as a major defect of programming and project planning. Most of the weaknesses refer to projects of the European Social Fund and not so much to projects funded by the ERDF and the Cohesion Fund, since the latter go beyond a government's tenure. In addition, the lack of simplification and the complexity of the procedures, combined with the time consuming bureaucracy were noted as significant deficiencies in the project selection. Specifically, improved cooperation between the beneficiaries and the Managing Authorities, early submission of the results of the final audit to beneficiaries, as well as efficient administrative verification checklists could have helped to avoid the above mentioned weaknesses.

Last but not least, the report also indicates that there is great room for improvement regarding the cooperation between beneficiaries and the Managing Authorities. Regarding the latter, shortage in staff as well as the lack of training of the existing staff in the areas of policy management and evaluation are mentioned as negative elements, resulting in weighing the budget, since Managing Authorities assigned these tasks to independent consultants (EC 2016a, p. 15)

The main issue regarding the policy evolution has been the policy re-orientation and the overall implementation of the EU funds. In particular, under the NSRF 2007-2013, the number of Operational Programmes funded by the ERDF and the Cohesion Fund has been reduced to 13 (eight sectoral and five regional ones). Further on this,

four out of the eight sectoral OPs (Competitiveness and Entrepreneurship, Improvement of Accessibility, Environment and Sustainable Development and Digital Convergence) and three OPs supported by the European Social Fund (Human Resources Development, Education and Life-long learning, Improvement of Public and Administration Efficiency) have been implemented at the central state level. This shift in orientation of policy priorities has been the outcome of the Community Strategic Guidelines on Cohesion taking into account Greece's discrepancies with reference to distinct indicators of the Lisbon agenda. Specifically, the country has been lagging behind to crucial Lisbon targets related to the issues of long-term unemployment, job creation and employment rate (particularly for women and the older work force), risk of poverty after social transfers, greenhouse gas emissions and "knowledge economy". Specifically, in 2006 the gross domestic expenditure on R&D was 0.57% of GDP, with the EU27 rate being at 1.84% and the EU target for 2010 at 3% (Paraskevopoulos 2012, 2017).

Shifts in the allocation of the OPs were not followed by considerable institutional changes in the management and monitoring of the NSRF. The sectoral OPs were under the responsibility of the Managing Authorities of the relevant Ministries. However, this was not the case regarding the regional OPs, which were reduced during the 2007-2013 period. Specifically, the MAs of the 13 ROPs of the previous period (2000-2006) remained in place as Intermediate Managing Authorities, coordinated by a central MA<sup>59</sup> under the Ministry of Economy.

Undoubtedly, the reduction in the number of regional and local administrations as part of the Kallikratis Plan brought about opportunities for decrease of the governmental costs, while at the same time the new subnational authorities remained largely depended on the central state to cover their financial expenditure. From this viewpoint, subnational authorities continue to enjoy limited autonomy in collecting and managing their own revenues and the tension between the requirement for subnational involvement and efficiency regarding cost-cutting in the decentralized units has been a key characteristic of the period 2007-2013. Consequently, given the lack of some fiscal and policy autonomy, subnational involvement in the implementation of the NSRF is considered restricted.

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<sup>59</sup> Apart from coordinating the five ROP's, the central MA is also responsible for all actions taken related to sectoral Operational Programmes' projects funded by the ERDF.

As in the previous programming period, the Intermediate MAs of the ROPs managed, implemented and monitored ROPs, but they were supervised by the National Coordination Authority (a central MA) within the Ministry of the Economy. Thus, the Intermediate MAs of the regions needed to secure the consensus and permission of the Ministry of the Economy so as to monitor and implement any project. This complicated institutional structure of the NSRF 2007-2013 is indicative of the central state's tendency to control the operation of the regional MAs and therefore the application of the partnership principle (Chardas 2012).

Although the above described hierarchical structure has been a key characteristic of the implementation of the NSRF 2007-2013 that crucially affected the level of adaptation capacity, emphasis is now placed on the Region of Attica, focusing on the dynamism of the subnational governance structures and the regional characteristics of quality of government.

### **5.3 Case study: the Region of Attica**

The region of Attica is located in the southeastern part of Central Greece. It covers an area of 3,808 km<sup>2</sup> and occupies the 2.9% of the country's total area. Athens is the basis of the region and also the capital of Greece. It is the largest Greek region, accounting for over a third of the total country's population and over 40% of the national GDP. Attica is the largest Greek export hub, has a dominant service sector and constitutes a major innovation centre, concentrating most of the highest education and research institutes, financial institutions and business activities (IMA Attica, 2012).

Geographically, the region of Attica is divided into two major sub-units, the Capital district and the rest of Attica. The Capital district comprises the city complex of Athens and covers the 11.2% of the total region of Attica, in an area of 427 km<sup>2</sup>. The area of the Athens' Basin is the core area of the region of Attica and has acquired all the characteristics of a metropolitan area (IMA Attica, 2012).

The region was established in the 1987 administrative reform and until 2010 comprised the prefectures of Athens, East Attica, Piraeus and West Attica. From January 1<sup>st</sup> 2011 under the "Kallikratis Plan" the region is divided into eight

subordinate Regional Units: Northern Athens, West Athens, Central Athens, South Athens, West Attica, East Attica, Piraeus and the Islands<sup>60</sup>. The region represents the second-level local administration and is an independent self-governing body, supervised by the Decentralized Administration of Attica. It is responsible for designing, planning and implementing policies at regional level and within its competences, in accordance with the principles of social cohesion of the country and taking into account national and European policies. About 3,820,000 (2011) people live in the region, of whom more than 95% are inhabitants of the metropolitan area of Athens. Specifically, about half of the total population is based in the two major urban centres of Athens (Attica) and Thessaloniki (Central Macedonia), which are both characterized by better transport infrastructure and are the main centres of the country's economic activities. In addition, both these metropolitan centres are wealthy, with the region of Attica having the highest performance regarding productivity growth and being the only region outperforming the EU average in GDP per head (128%) (IMA Attica, 2012).

Overall, the region of Attica is a single urban complex with extended administrative boundaries and its area of influence covers a major part of the country. It represents a forceful development regarding economic and social activity and constitutes the main portal of cooperation at both national and international level and the center pole of development, along with the metropolitan area of Thessaloniki in the North. The region has the highest work force productivity in all sectors and the greatest technological development and enjoys the 50% of the national technical infrastructure network, as well as the largest share in production and consumption and R&D services (IMA Attica, 2007).

However, despite the large population size, Athens' GDP is equal to 53% of Rome's GDP or 38% of that of Frankfurt for example. That is to say, compared to the population size, the level of economic activity is rather low. This ratio between GDP and population forms a relatively low productivity index, at least for the West European standards. In addition, Athens is in the 33<sup>rd</sup> place regarding GDP per capita and lags behind all western metropolitan areas. Its position ameliorates only in relation to the European metropolises of Central and Eastern Europe and some of the metropolises in southern Europe (IMA Attica, 2012).

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<sup>60</sup><https://www.enpe.gr/en/perifereia-attikis-en> (accessed on July 2nd, 2020)

It should be stressed that the region's geographical position in the south-eastern part of Europe raises considerable accessibility issues regarding the single economic space. Specifically, it is regarded as relatively distant from the Europe's important financial markets, ranking only fourth from the bottom in the centrality index. Furthermore, the region of Attica has one of the highest unemployment rates in metropolitan Europe, with serious problems concerning job creation and workforce absorption. Finally, the region's share of the tertiary sector in GDP reaches almost 80%, placing Attica among Europe's most disadvantaged economies (IMA Attica, 2012).

### **5.3.1 The Regional Operational Programme "Attica" 2007-2013**

The Regional Operational Programme "Attica" is one of the five regional operational programmes, which, as already stated, along with the five sectoral ones and the three cross-border operational programmes constitute the NSRF 2007-2013 for Greece. The developmental planning for the region of Attica in the fourth programming period was focused on strengthening the international role of Attica as a European metropolis in the southeastern Europe and the Mediterranean.

The ROP Attica was adopted by the European Commission on November 5 2007 within the framework of the European Regional Development Fund, which is part of the "Convergence" objective for the Region of Attica. The total cost of the ROP amounted to EUR 3.05 billion, of which the EU contribution was EUR 2.4 billion (the maximum ERDF co-financing is 79.9%) and the national EUR 613 million.

The ROP Attica for the 2007-2013 period has been structured under the following five priorities<sup>61</sup>:

- The strengthening of infrastructure regarding accessibility and energy; this axis has been in line with the European and national objectives in the field of transport, emphasizing the improvement of the urban transport network, the development of intermodal transport, the development of trans-European and regional road axis and the support of energy projects.
- Sustainable development and the improvement of quality of life; emphasis on this axis has been put on the fields water management and water

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<sup>61</sup>[https://ec.europa.eu/regional\\_policy/en/atlas/programmes/2007-2013/greece/operational-programme-attica](https://ec.europa.eu/regional_policy/en/atlas/programmes/2007-2013/greece/operational-programme-attica)

resources, solid waste and sewage treatment system, the protection of environmental biodiversity, as well as on issues regarding the amelioration of health and welfare infrastructure, the promotion of digital use and the advancement of educational, cultural and tourist infrastructure.

- Enhancement in competitiveness, innovation and digital convergence; this priority encompassed actions that would help Attica increase the competitiveness of the regions in the fields of information and communication technologies (ICT), product innovation, the promotion of expertise in small and medium-sized enterprises, the support of business activities in research and development (R&D), the use of modern financial instruments and the enhancement of green entrepreneurship and IT services in the area of tourism.
- The revitalization of urban areas; the target has been the restoration of degraded neighborhoods through the creation of parks and playgrounds and the urban and socioeconomic regeneration of suburbs with potential for cultural, business and tourist development.
- Technical implementation support; the final priority of the program regards the prosecution of studies and actions for the implementation, monitoring and evaluation of the ROP, the advancement in experience exchange and the improvement related to the publicity and information of the beneficiaries and citizens of the region of Attica.

The table below presents the share of the funds by each priority axis.



**Table 5.3: Funds distribution of the ROP Attica 2007-2013 per priority axis (EUR)**

Priority Axis	EU Expenditure	National Public Expenditure	Sum of Public Expenditure
<b>Improvement of infrastructure in accessibility – energy</b>	717 000 000	127 000 000	844 000 000
<b>Sustainable development and improvement in quality of life</b>	1 026 560 000	256 440 000	1 283 000 000
<b>Enhancement in competitiveness, innovation and digital convergence</b>	528 940 000	174 060 000	703 000 000
<b>Revitalization of urban areas</b>	141 000 000	47 000 000	188 000 000
<b>Technical implementation support</b>	24 500 000	8 500 000	33 000 000
<b>Sum</b>	<b>2 438 000 000</b>	<b>613 000 000</b>	<b>3 051 000 000</b>

*Source:* European Commission, ROP Attica 2007-2013

The overall strategic target of the ROP Attica was the development of the city of Athens and its international prominence in the southeastern Europe as well as the rehabilitation of the weaknesses of the region of Attica in terms of infrastructure. The objectives of the program have been the advancement of the region’s attractiveness, the improvement in the quality of life and the environmental protection, the enhancement of the competitiveness of the regional economy and the creation of more and better jobs.

### **5.3.2. Review of the main issues emerged during the implementation of the ROP**

Prior to the beginning of the 2007-2013 programming period, the country and the Region of Attica followed the international economy’s high growth rates, since access to finance was easy and there was great availability in international investment funds. The successful holding of the Olympic Games in 2004 and the completion of major

infrastructure projects upgraded the profile and attractiveness of Attica and increased tourism in the region significantly. Undoubtedly, the financial crisis that hit the country at late 2008 provoked the emergence of long-term and accumulated structural problems of the Greek economy and created an environment characterized by various deficiencies that decisively affected the implementation of the ROP Attica. The prolonged financial recession, combined with the lack of liquidity and the turbulent banking sector brought about the creation of a vicious circle from which the economy could not easily escape. Difficulties in lending and businesses' strategy redefinition, emphasizing on restrains in spending, had as a result many projects to be abandoned or to be implemented in lower amounts of investment (Hellenic Ministry of Economy, 2017, p. 51-52).

The effects of the financial crisis have been multifaceted and affected the overall implementation of the ROP Attica. The high pressure to limit public spending and the unfavourable business climate undoubtedly led to a redefinition of businesses' strategy and influenced decisively policy practice. Specifically, reduced funding led to delays in payments from April 2015 to early 2017 and subsequently to long deferrals and/or cessations in completion of projects.

Undoubtedly, the international financial crisis has been the lurch of the financial institutions, which, despite the significant support from the EU for the stabilization of the banking system of the Eurozone, they adopted lending to private enterprises, resulting in major lack of liquidity. Despite the European Commission's regulations for the creation of new financial instruments that provided guarantee and lending on favourable terms, the unfavourable business environment resulted in the decrease of investments, while many approved investments were not implemented or their implementation progressed in a very slow rate. Finally, the imposition of capital controls in July 2015 caused additional difficulties for the implementation of the already approved investment plans (Hellenic Ministry of Economy and Development 2017, p. 54).

Nevertheless, the evaluation of the course of the ROP is not attributed exclusively on the effects of the financial crisis, since there have been other factors that negatively affected its implementation. Difficulties have also stemmed from the administrative regulations for the organization of the subnational government, as well as alterations in policies and prioritization that have taken place because of the political instability and the successive elections (two local and four national) from 2009 to 2015. In

particular, problems emerged due to the administrative restructuring and the redistribution of responsibilities among levels of subnational government that came along with the Kallikratis Plan, such as the abolition of the Prefectures and the merger of Municipalities and Municipal Enterprises, which used to be important final beneficiaries in the previous programming periods. Additionally, the different government structures of the 2009, 2012 and 2015 elections led to the creation of new Ministries, as well as numerous transfers of services among ministries that resulted in difficulties regarding the coordination and implementation of projects of the ROP (Hellenic Ministry of Economy and Development 2017, pp. 52-54).

For the most part, the planning and final implementation of the ROP Attica were characterized as rather weak, with many obstacles stemming from the insufficient and complex bureaucratic management system as well as the structural malfunctioning of the Managing Authorities (mainly regarding the systems of control and evaluation). Further on this, the evaluation report points out the limited complementarity of objective aims between the ROP Attica and respective actions of Sectoral OPs of the NSRF, which is attributed to the lack of cooperation between the MA of the ROP Attica and the managing bureaus of the several Ministries. In addition, fieldwork research also revealed the inability (or ignorance) of some local government beneficiaries to formulate concrete and qualitative proposals and implement European funds. Delays in payments for the approved projects, overbooking of the resources of the axes, project approval without availability of the essential funding and the non-activation of certain thematic priorities, are included to the above malfunctions regarding the implementation of the ROP (Hellenic Ministry of Economy and Development 2017, pp. 110-111).

### **5.3.3 Analysis of the contribution of the ROP to the Lisbon strategy and the Europe 2020 targets**

During the first years of the programming period 2007-2013, the absorption rates of the ROP Attica were significantly low. Specifically, by the end of 2011 absorption reached only 14%<sup>62</sup>. The pace of absorption has been rapidly increased in the years that followed and especially during the period 2012-2014, where it reached 81%.

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<sup>62</sup>Interviewee 2

Indeed, by the second half of 2014, the expenditures amounted to € 113.45 million, resulting in an achievement of the targets to almost 112% ((Hellenic Ministry of Economy and Development 2017).

In particular, with regard to the first priority axis, which aimed in contributing to the strengthening of the attractiveness of Attica as an international business centre, through improvements in transport and energy infrastructure, projects included provisions for the improvement of the quality of life, such as the upgrade of urban transport, the promotion of the use of natural gas and the reduction of greenhouse gas emissions. After a revision and the inclusion within its context of significant infrastructure projects, the first axis marked relatively satisfying absorption rates (over 104% of the total public expenditure). However, regarding policy outcomes, the effectiveness of the axis was rather limited and unbalanced, since many projects considering urban transport and the use of renewable energy resources, did not fulfil their objectives. Most of the problem issues indicated by the evaluation report consider delays in payments, abnormal flows of funding and the absence of clarifications regarding state aid (Hellenic Ministry of Economy and Development 2017, pp. 120-122, p. 129)

The second priority axis –and at the same time the second most important axis of the ROP- targeted to sustainable development and the improvement of the quality of life through interventions for an environmentally acceptable solid and liquid waste management, the rational management of water resources, the prevention of technological hazards, the development of social structures and health infrastructure, the upgrade of educational infrastructure, as well as the protection and promotion of the monuments of the region. The level of absorption was high and amounted to over 112%, numerous projects regarding waste and rainwater management showed low to absorption (below 47%) and several thematic priorities concerning telecommunications, urban regeneration and ICT over exceeded the rate of the projected public expenditure. Projects regarding social and educational structures (mostly nursery infrastructures) showed also moderate absorption rates. The overall evaluation of the efficiency of the axis is characterized by the fragmentation of the policy outcomes, while most of problems regard delays due to time-consuming administrative procedures and heavy bureaucracy, and the inability of the implementation bodies (mainly the local governments) to fulfil the projects (Hellenic Ministry of Economy and Development 2017, pp. 130-132, p. 142).

The third and most significant priority axis of the ROP showed the highest absorption rates (over 119% of the total budget). Its objectives concerned the reinforcement of regional competitiveness and innovation and digital convergence, with interventions focusing on the enhancement of research and technology, the promotion of renewable energy resources, the strengthening of the entrepreneurship and the upgrade of tourist services. In addition, actions related to tackling problems caused by the financial crisis were added to this axis, such as job creation and maintenance, the development of SMEs and their reinforcement of their competitive profile within the domestic and international market environment, and the increase of inflows of foreign direct investment. By mid-2016, the contracted projects within the axis reached over 170% of the total public expenditure of the axis. It should be noted however that by the end of 2016 some thematic priorities regarding research and renewable energy resources, had not been activated, while the implementation of projects regarding tourism was rather limited (Hellenic Ministry of Economy and Development 2017, pp. 143-153, p. 156).

Concerning the fourth priority axis, it included the principles of multifunctional development and the strengthening of networking trends between urban centres, the improvement and development of urban infrastructure, the sustainable development of urban concentrations, as well as addressing social problems in urban centres. Moreover, interventions for the implementation of small and large scale urban regeneration programs aiming at the transformation of the urban landscape, the enhancement of urban greenery, the construction of bicycle routes and sidewalks were also included in this axis. Absorption amounted to almost 110% of the total budget available, mainly due to the allocation of the resources to the establishment of the Urban Development Fund. The most significant weakness observed was related to the fact that individual projects concerned small-scale interventions, while payment delays and time-consuming bureaucratic procedures also unfavoured the overall implementation (Hellenic Ministry of Economy and Development 2017, pp. 158-163).

Finally, in the fifth Priority Axis, which constitutes a supporting part of the implementation of the ROP, absorption reached almost 97%. The relevant actions of the axis concerned the preparation, management, implementation monitoring, electronic data exchange, inspection, control and evaluation of the program, as well as projects or actions contributing to the improvement of organizational structures and

processes of planning, implementation, monitoring, and evaluation of the ROP (Hellenic Ministry of Economy and Development 2017, pp. 163-165).

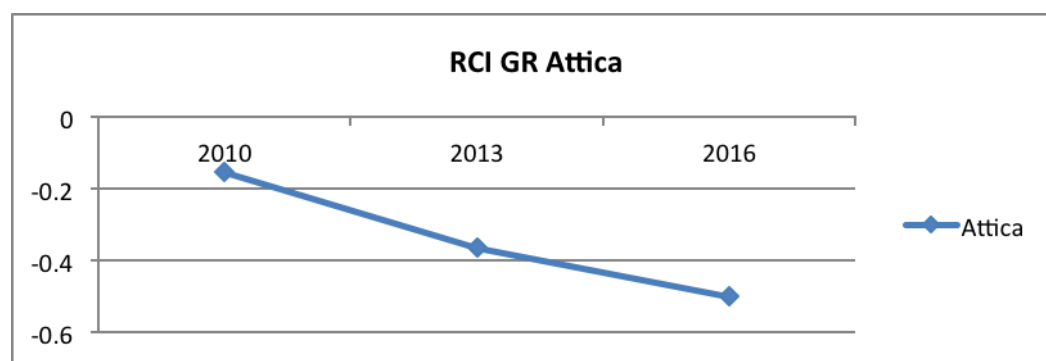
The total absorption rate of ROP was relatively satisfying and amounted to over 109%, despite some the critical issues regarding its implementation. These concerned mainly the overbooking of the resources, the non-activation of several thematic priorities, as well as the inclusion of projects in priorities where there had been no funding available. At this point it should be stressed out that, despite the satisfying absorption rates, several projects have been promoted and implemented at the end of the programming period, within the context of strengthening the level of absorption on the one hand, and on the other as a means of avoiding not taking advantage of unallocated fund resources (Hellenic Ministry of Economy and Development 2017, p. 49).

With regard to the Europe 2020 Regional Index, in 2012 the Region of Attica scored just above 0, 60, well below the EU28 target (0, 82). Specifically, the employment rate in 2011 was not over 62% of the population aged 20-64, while the EU28 average was 68.4% and the Europe 2020 target set at 75% (JRC 2014).

As seen in the evaluation of the ROP Attica, the regional performance with regard to R&D expenditure was a bit over 0, 5% in 2011-2012. This rate did not exceed 1% in 2014, which remains well below the EU28 average (2, 04%) and far from the Europe 2020 target (3%). As far as energy efficiency is concerned, the share of renewable energy in electricity production is less than 15% of the total electricity generated in the region, a percentage relatively low concerning the region's geo-physical characteristics. With regard to the population aged 30-34 with a tertiary educational training, within 2010-2012 it amounted to over 36% and reaching almost 38% in 2016, exceeding the EU28 average (34, 6%). On the other hand, early school leavers from education aged 18-24 amounted to less than 12% of the population between 2010-2012, with the Europe 2020 target set to <10%. Lastly, with regard to the Europe 2020 target for the reduction of the number of people at risk for poverty and social exclusion from 23, 7% to 19, 5% of the total population, Attica performed modestly, amounting to less than 23% of the population and the EU28 average being to 24, 8%. However, evidence from the evaluation of the ROP indicates that this percentage has not been further decreased in order to reach the Europe 2020 target (EC 2017).

Thus, out of 262 EU regions, the Region of Attica ranks 174 within the Regional Competitive Index 2013, with the developmental stage deteriorating since 2010 (JRC 2013). The figure below offers a time comparison of the performance of the Region of Attica with regard to the Regional Competitive Indexes (2010, 2013, 2016)<sup>63</sup>:

**Figure 5.1 Regional Competitive Index (time comparison)**



*Source:* Joint Research Centre (2013), European Commission (2017), own elaboration

Despite the slow progress that marked the first years of the programming period, in 2017 the final executive report of the ROP Attica 2007-2013 indicates that 72.8% of the community assistance of the programme contributes to the targets set by the Lisbon Strategy. On the other hand, the contribution of the ROP to the promotion of the Europe 2020 strategy has been rather low. Projects of the ROP Attica focused on transport and building infrastructure, while actions on the areas of environment and sustainable development has been rather low. In addition there have been inefficiencies and incomplete procedures on programmes regarding poverty and social inclusion.

The final evaluation of the ROP presents an unbalanced and rather fragmented implementation of projects within the four priority axes. Few projects have met the targets of the axes, while the overall analysis indicates that during the 2007-2013 programming period the implementation of the ROP Attica did not lead to the expected results regarding the reinforcement of the developmental potential of the

<sup>63</sup>It should be noted at this point that the changes in the RCI scores over time are informative, because each edition of the index incorporates improvements and slight modifications. These do not affect the overall structure of the index, but they limit the possibilities of measuring change over time. However, the three editions of the RCI provide a unique means of monitoring and assessing the development of regional competitiveness across the EU.

region. Despite the fact absorption amounted to almost 112% by the end of the programme, the achievement of the objectives of the ROP remained limited.

#### 5.3.4 Institutional structures and the application of the partnership principle in the ROP “Attica”

One of the main targets of the fieldwork research has been the identification of the key actors involved in the policy network of the ROP Attica 2007-2013. The identified actors have been divided into four categories: public, public-private, private (associations) and NGOs - civil society organizations. As seen in table 5.4, there has been a strong presence of the public sector and a rather limited participation of NGO and civil society actors.

**Table 5.4 Main actors in the ROP Attica 2007-2013 policy network**

<b>Government Level</b>	<b>Public</b>	<b>Public &amp; Private</b>	<b>Associations/Private</b>	<b>NGOs &amp; Civil Society Associations</b>
<b>National</b>	National Coordination Authority (Ministry of the Economy)	MOU (non profit, reporting to the Ministry of Development & Investments	Hellenic Confederation of Enterprises (SEV)	National Confederation for Disabled Persons (ESAMEA)
	MA of Regional Operational Programmes (Ministry of Economy)		Technical Chamber of Greece (TEE)	
	ESF Coordination & Monitoring Authority – EYSEKT (Ministry of Development & Investments)		Economic Chamber of Greece (OE-E)	
	Intermediate MA of OP “Improvement of Accessibility”		Hellenic Confederation of Professionals, Craftsmen & Merchants (GSEVEE)	
	Intermediate MA of OP “Digital Convergence”			
<b>Regional</b>	Intermediate MA of ROP “Attica”	ROP Monitoring Committee		
	Regional Council			
<b>Local</b>	Central Union of Greek Municipalities (KEDE)		Commercial & Industrial Chamber of Athens	
			Commercial & Industrial Chamber of Piraeus	



The case study reveals the dominance of the central state and the Intermediate MA of the ROP, the involvement of various public and private associations and chambers, as well as local associations of municipalities. The participation of NGOs and civil society actors is limited. The MA of Regional Operational Programmes (that is the Ministry of the Economy) prevails in all operations of the ROP Attica, namely management, implementation and monitoring. Thus, research in the region of Attica, reveals a strong centralized policy-making system and a relatively vertical hierarchical network structure, characterized by the central state's domination.

### *The role of the central state*

The policy network in the region of Attica is defined by the predominant role of public actors, which are the Ministry of Economy and the MAs of the ROP Attica and the relevant OPs. The Ministry of Economy (through the MA of Regional Operational Programmes) maintains control and shares the central place with the Intermediate MA of the ROP. Although the latter would supposedly decrease the centralization of the structure of the ROP Attica, institutionally, it comprises a decentralized entity of the central government, provided with expert personnel from the Managing Organization Unit (MOU). Thus, it is not considered a regional authority but rather an "elitist" decentralized part of the central state. In addition, due to the lack of human and technical resources to perform policy planning and implementation at the regional administration, these functions have become the responsibility of the Intermediate MA, placing it as a central policy-maker<sup>64</sup>. Further on this, evidence suggests that horizontal coordination among the public actors is insufficient; the Intermediate MA does not have enough detailed info about the interventions of other Operational Programmes carried out in the region. Thus, engaged in a highly centralized system, the Intermediate MA has been left with little room for manoeuvre<sup>65</sup>.

The EYSEKT, that is the Coordination and Monitoring Authority of the European Social Fund, has also been identified as a main actor in the implementation of the ROP Attica, though its role is limited on the implementation of the programmes co-financed by the ESF. Operating under the Ministry of Development and Investments, its role has been characterized as crucial but restricted in coordinating projects in the

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<sup>64</sup> Interviewee 1

<sup>65</sup> Interviewee 3

limited areas of social inclusion, poverty, social prosperity and enhancement of efficiency of public administration<sup>66</sup>.

Definitely, the role of public actors is significantly strong, as their position is extremely dominant in the administrative structure and the management of the ROP Attica. It is not hard to conclude that public actors prevail in the policy-making structure of the region of Attica, demonstrating the extreme centralization of the Greek state and the deep-rooted dependence of the region on central government.

### *Participation of sub-national authorities*

Responders of the fieldwork research in the Region of Attica underlined the strong centralization of the policy-making system, pointing out its dominant role in final decision-making. The main actors identified at the regional level, have been the Regional Council and the Monitoring Committee of the ROP. The Regional Council is a collective body that assembles public and private sub-national actors, as well as private-interest associations, making proposals and planning over regional development programmes. Nevertheless, most of the interviewees mentioned the downgraded role of the institution and gave prominence to role of the Intermediate MA of the ROP Attica as a mediator that balances between the central government and the region. In particular, some responders described the Region Council as rather “introvert” or “insular” meaning that is not open to outside influence and prefers to stay inactive. Undoubtedly, the central administration outbalances the regional one and the role of the central state prevails in all processes<sup>67</sup>.

The Monitoring Committee of the ROP has been an enlargement of the Regional Council, developed for the implementation of the CSF II and brings together regional and local authorities, private associations, as well as economic and social actors. Certainly, the Monitoring Committees has been the institutionalization of the principle of partnership and has left a legacy regarding the participation of actors representing the private sector and the civil society, since it is an area where Greece had no experience before the EU Cohesion policy. However, during the CSF III and the introduction of the Managing Authorities, their role has been remarkably degraded. Under the NSRF 2007-2013, the Monitoring Committee of the ROP Attica

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<sup>66</sup> Interviewee 6

<sup>67</sup> Ibid.

has been nothing more than a consultative body, playing a rather “decorative” or completely irrelevant role<sup>68</sup>. Meeting hardly once a year, the Monitoring Committee does not have the power to influence any process or alter the patterns of governance of the ROP. The overall finding of the fieldwork revealed that the operation Monitoring Committee of the ROP Attica in 2007-2013 is not in accordance with the partnership of principle, thus not resulting in any type of multi-level governance.

Sub-regional associations and local associations and municipalities, as well as the local chambers of commerce and industries are also included in the network, but mainly because of their ex-officio participation in the Monitoring Committee. The main actor identified in this category has been the Central Union of Greek Municipalities (KEDE). Local municipalities of Attica participate actively in the consultation and implementation processes, through representatives of KEDE, pursuing their local interests. Although present, their role, however, has been characterized as only consultative; their opinions are not taken into account if they do not add up to those of the central state actors, namely the Ministry of the Economy and the Intermediate MAs of the relevant Ministries<sup>69</sup>. Partnership in this case has been described as conditional, with local municipalities aiming in fulfilling some short-term interests. Clientelism and political bargaining have been identified as the key features of local municipalities’ participation, while the lack of transparency regarding project selection augments the central state’s distrust towards enhancing their active involvement<sup>70</sup>. Thus, the only active role of local municipalities in the ROP has been that of final beneficiaries.

The overall finding of the fieldwork is that the role of regional and local authorities in the implementation of the ROP is rather complementary and the MA of Regional Operational Programmes that operates under the Ministry of Economy has the overall control and has been the central communication hub for all actors involved in the process. Despite the fact that the legitimization of regional authorities through the “Kallikratis” reform and their institutionalization through Cohesion policy was supposed to enhance the participation of regional institutions, evidence from the region of Attica affirms the pattern described previously: on the one hand, there is a continuing trend of providing decentralization by granting more autonomy to sub-

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<sup>68</sup> Interviewee 3

<sup>69</sup> Interviewee 5

<sup>70</sup> Interviewee 7

national authorities, while on the other hand central government re-asserts control, affirming its traditional role of the gate-keeper.

### *Participation of non-state actors*

It goes without saying, that participation in European programmes funded by the structural policy has given opportunities for greater involvement of a wide range of representing civil society. Nevertheless, as it has been pointed out, Greece represents a country with limited experience regarding networking and partnership building, especially at the regional and local level. Yet, the evaluation of the implementation, monitoring and auditing of the ROP Attica presents a rather satisfactory picture, reflecting clarity and effectiveness in project selection and absorption, as well as compatibility with the EU policies and priorities<sup>71</sup>. Nevertheless, there has been no particular evidence to suggest that the ROP has enhanced regional and/or local actors to be involved in the deliberations or the implementation of the programme. Indeed, fieldwork research in the region of Attica verifies the limited experience of Greece regarding the application of the partnership principle. It should be mentioned though that the identification of actors in the region of Attica revealed an advanced participation of associations of private interest, such as the Hellenic Confederation of Enterprises, the Technical and Economic Chambers of Greece, as well as two local industrial chambers. Nonetheless, most of the interviewees pointed out that the purpose of their participation is limited in lobbying or political bargaining<sup>72</sup>. All fieldwork responders mentioned that their role is only superficial, limited in their ex-officio participation in the Monitoring Committee.

Regarding the requirements for the formation of public-private partnerships, research revealed the weakness of the Greek institutional system and the poor institutional mechanisms, generating great adaptational pressures. Interviewees mentioned the limited public-private partnerships in the implementation of the ROP Attica 2007-2013, which is also reflected in the limited allocation of private funds<sup>73</sup>. Evidence suggests that the private sector's role in the policy implementation remained limited, as public authorities maintain control and responsibility for project implementation.

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<sup>71</sup> Interviewee 2

<sup>72</sup> Interviewee 1

<sup>73</sup> Interviewee 7

Regarding civil society, it comes as no surprise that expertise and/or NGOs and civil society organizations have not achieved a strong presence in the policy-making procedures in the region of Attica. Their involvement has been minimal. Research indicates that their participation has been kept to the bare minimum required by the Commission's guidelines. The central state keeps the leading role and partnership formation is kept at the horizontal level, through the Regional Council and the Intermediate MAs. Involvement of experts and civil society in these partnerships remains insignificant. The only presence of expertise has been at the meetings of the ROP Monitoring Committee, the role of which has been considerably weakened as described above.

Overall, fieldwork research affirms that the policy-making network regarding cohesion policy in Attica is centralized, with the Ministry of Economy and the MAs of the relevant Ministries dominating the policy network, along with the Intermediate MA of the ROP Attica. This vertical structure in the policy-making hierarchy does not favor the flow of information and expertise; neither allows the distribution of resources, thus hindering adaptation at the regional level. Additionally, the limited participation of sub-national and non-state actors, along with the weak linkages and interconnectedness between them, prevents the circulation of expertise and resources that would help form common interest and strategy goals. Consequently, the limited presence of actors in the policy-making network may result in impeding cooperation and coordination at the regional level.

#### **5.4 Assessing the Quality of Government for institutional adjustment**

As noted earlier, the difficulties in the capacities of regional and local authorities to participate in the implementation and monitoring of the ROP and formulate autonomous decisions, relies on the issue of their financial dependence on the central state. Further on this, their operation has been characterized by clientelism and corruptive practices that verifies the central government's distrust in permitting more participation. Such practices are characterized by "stickiness" and diminish genuine civil society involvement, consequently impacting upon the socio-economic development of the country.

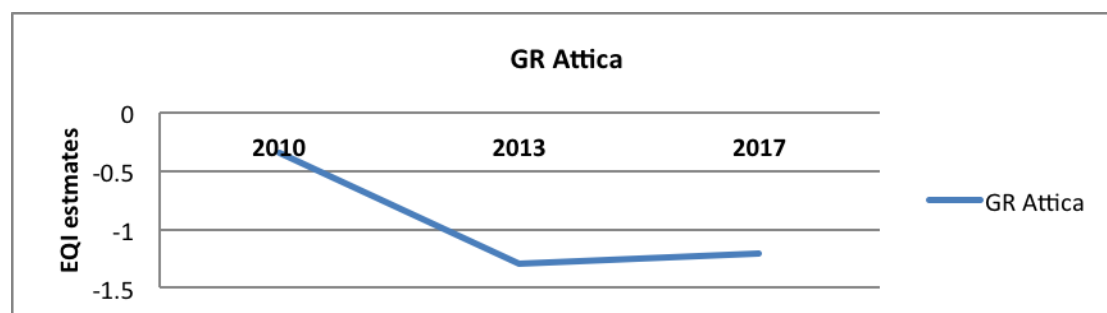
The limited involvement of the civil society in policy-making has been one notable characteristic of the Greek state. In a broad manner, decision-making procedures in Greece are characterized by institutional complexity and obscure mechanisms that discourage citizens' participation. Corruption and clientelistic relations further reinforce citizens' passiveness. This feature of the Greek civil society can be partially associated with the long tradition of statism and the difficulties in creating institution-building, due to the economic and political instability up to the mid 1990's. Indeed, state-society relations in Greece have been mediated by the controlling role of the central state and the political parties, diminishing norms and networks of trust and discouraging cooperation and institution-building, elements that would improve efficiency and growth. Thus, due to the lack of mutual trust and consensual agreements between state and civil society and among civil society actors themselves, an environment lacking trust and social capital has been emerged that hinders cooperation and partnership formation (Demetropoulou *et al.* 2004, pp. 46-47).

### **Quality of Government**

However, one should not perceive clientelism and corruption as peculiar behavioral features of the Greek state, but rather as mediating variables of quality of government that influence politics and society. As noted in Chapter four, Greece demonstrates very low levels of the Quality of Government indicators and low performance in institutional and administrative capacity.

Shifting the focus on regional performance in quality of government, the data collected from the European Quality of Government Index (EQI), -developed by the Quality of Government Institute of Gothenburg University- have been of significant importance, representing the only measure of institutional quality available at the regional level in the EU. This constitutes the largest survey ever undertaken to date to measure QoG at the sub-national level. In the EQI, institutional quality is defined as a multi-dimensional concept that comprises the elements of high impartiality and quality of public services, along with low levels of corruption. Thus, according to the EQI and as presented below, it is remarkable that the Region of Attica has been ranking below the EU average in all three-year measurements, showing a continuing decline over time and during the financial crisis:

**Figure 5.2 Quality of Government in the Region of Attica (2010-2017) (EU average =0)**



Source: Charron N. *et al.*, (2019), own elaboration

According to the EQI estimates regarding institutional quality, the region of Attica has been ranking below the EU average<sup>74</sup>, with a significant decline during the second half of the fourth programming period. Specifically, Attica demonstrated one of the most noticeable declines in quality of regional government, strongly associated with the financial crisis, revealing significant weaknesses relative to 15 regions of the EU with the most similar GDP per capita (Charron & Lapuente 2018, p. 22). The graph reveals a slight increase in the last measurement of 2017, but still below the EU average.

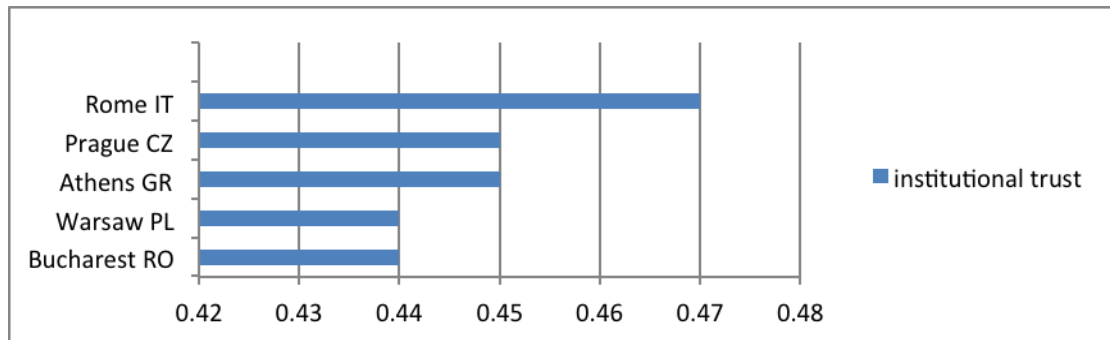
### ***Institutional Trust***

The Region of Attica is in the same cluster of regions of south Italy and Central and Eastern Europe, presenting the lowest levels of quality of government. As discussed in the previous chapters, quality of government goes hand in hand with institutional trust. Regions with low levels of quality of government tend to present low levels of trust in regional institutional authorities and vice versa. Additionally, a Eurobarometer study comparing the level of trust in regional authorities between 2008 and 2013 enhances the above statement. According to data from the Eurobarometer, trust in regional governance in Greece has decreased by 13% during the period from 2008 to 2013. Specifically, in 2008 34% of the greek population showed trust in regional governance, which decreased to only 21% in 2013, with an EU28 average of 45%.

<sup>74</sup> EU average corresponds to price (0) in the European Quality of Government Index.

Given the fact that there is no data regarding regional performance in institutional trust, the case study draws upon the available local database of the World Justice Project, published by the Joint Research Centre of the EC, that represents the citizens' perceptions on institutional trust, regarding trust in local and national authorities, the police and the judicial system:

**Figure 5.3 Level of institutional trust in EU cities with low QoG performance (2015)**



Source: Joint Research Center, European Commission (2015)

The figure above includes EU capital cities that fall within the same QoG cluster and indicates that the city of Athens presents very low levels of institutional trust, with only 17% of the population regarding the local government as efficient. In particular, as data from the survey point out, in a range from 0 to 1, Athens scores 0,45 in institutional trust, with less than 34% of the population expressing trust in national and local authorities and as many as 45% believing that government officials are involved in corrupt practices.

This low performance is considered fundamental for the low level of cooperation and partnership formation in Attica –that is a principal feature of Greece’s overall institutional infrastructure- and is closely linked with statism and especially the amalgamation of the centralized and at the same time weak administrative structure.

In addition to the above findings and in view of the lack of regional data, a large part of the fieldwork’s interviews focused on assessing the level of social -but mainly institutional- trust at the region of Attica. Interviewees repeatedly mentioned that the lack of trust and cooperative culture is strongly present in the region, despite the progress in regional development policy. Specifically, the case study research suggests that partnership formation and networking have been based on corruption and clientelistic relations and alliances, unable to produce efficiency and long-term regional development. Moreover, the responses of the interviewees demonstrate



considerable coordination problems among key institutional actors. In particular, the policy network –characterized by the predominance of central state actors- comprises of actors distant from each other, basically due to the lack of a common long-term development strategy. This fact is indicative for the very low levels of coordination and subsequently the absence of cooperation among them. Indeed, research revealed that no progress has been made regarding coalition-building. Even if there has been some, it has been described as “coincidental” or “short-sighted”, meaning that coalitions have only been formed in order to serve common short-term interests. Hence, it has been derived that the lack of institutional trust combined with the lack of long-term development targets on behalf of all the actors involved (central state, subnational authorities, associations, civil society etc.), have impeded coalition-building in the region of Attica, which could have led in producing a common long-term regional development plan. There is strong evidence to suggest that the creation of cooperative networks has been minimal and kept to the minimal requirements of EU and national legislation. The vast majority of cooperation between actors has been formed within the context of personal/friendly relations and short-term interests<sup>75</sup>.

All over, the weak institutional structure combined with low levels of social and institutional trust and low performance in QoG, affect the actors’ instrumental and normative beliefs because of the increased ambiguity about the possible redistributive effects of future reforms, especially in areas creating great adaptational pressures such as the Cohesion policy. In particular, low levels of QoG and generalized and institutional trust seem to be partly responsible for the weak capacity in coalition-building and partnership formation, which constitute a prerequisite for institutional and policy change (Paraskevopoulos 2017, p. 31-32, Paraskevopoulos 2012). Thus, Greece has been trapped in a vicious circle of statism and centralism, vindicating the institutional theory of trust and highlighting the OoG indicators as crucial variables in determining policy institutional adaptation and policy change.

It is worth mentioning at this point, an interesting assumption derived from the fieldwork research. Although the lack of impartiality has been regarded as prominent in the implementation processes of the ROP Attica, this does not reflect the general picture, where the sign is rather positive. Interviewees agreed on the viewpoint that practices lacking impartiality are not all to be condemned, presenting a common

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<sup>75</sup> Interviewee 3

paradox: due to the endless bureaucracy in the implementation of the ROP and the NSRF in general, it has been commonly accepted that impartiality leads to ineffectiveness. Specifically, it was mentioned that, because of the daunting structure of the NSRF and the “monstrous” bureaucracy in the policy-making, practices of petty corruption are commonly acceptable as they serve everyone involved in the process and lead to efficiency. This paradox is rooted to the weak institutional structure of the NSRF and the deficiencies created by the Greek bureaucracy. In this case, corruption has been defined by interviewees as productive, in the sense that it helps bureaucracy to be overcome.

In a nutshell, although there have been serious accomplishments with regard to policy implementation of the NSRF 2007-2013, the weaknesses of the domestic policy infrastructure and the low levels of QoG and institutional trust are indicative of the limited coalition-building and the inadequate involvement of the non-state actors in the policy-making network. With regard to the policy structures in the implementation of the ROP Attica, the case study demonstrated the limited institutionalization of the region (despite the directly elected regional governors since 2011) and the low performance in terms of coalition-building and actors’ participation in the network. Precisely, compared to the previous CSFs, there has been no substantial improvement in the application of the principle of partnership during the fourth programming period. The central state has been prevailing in all processes regarding cohesion policy. This comparison, however, may be somehow vague since procedures in the previous programming periods have not been enough transparent. With regard to the up-to-date data on the NSRF 2014-2020, the situation can be described as more or less the same<sup>76</sup>.

Summing up, the application of the principle of partnership has not resulted in any substantial improvement in actors’ involvement in Cohesion policy in the region. While there has been some advancement in sub-national mobilization and the private sector’s participation in the Monitoring Committees, this has been only superficial or “symbolic”. Although this mobilization has certainly resulted in greater transparency in policy deliberation, progress regarding cooperation and coalition-building is minimal. The only cooperation mentioned is that between the Intermediate MA of the ROP and the relevant Ministries. Responders characterized this type of cooperation

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<sup>76</sup> Interviewee 7

honest and productive, but this has been the product of personal and friendly relations developed among the staff. The general picture is rather disappointing, reflecting the lack of trust and cooperative culture.

Moreover, the administrative structure of Cohesion Policy in Greece and in the Region of Attica in particular, has remained highly centralized and hierarchical, with the central state re-asserting its gate-keeping role. Despite the opportunity offered by the European Commission for sub-national mobilization and expert and civil society participation, the institutional structure of the ROP Attica has been embedded within the traditional central structure, namely the Ministry of the Economy and the region. Therefore, policy-making appears to be affected by political control, especially within the framework of the Monitoring Committee. Furthermore, sub-national actors appear to be weak within the institutional set-up, expressing a “traditional” mentality based on political clientelism and patronage-driven relations. Lastly, participation of NGOs and civil society associations has been minimal. What can be undoubtedly derived is that, even though the institutional structure of the ROP adheres to the official EU requirements, pre-established domestic features do not facilitate policy adjustment at the regional level. Following the new institutionalist approach, the case study has shown that the region of Attica has been trapped in a vicious circle, where the performance of formal institutions is affected by informal institutions, which have been shaped through history in a path-dependent way. Thus, quality of government - and most importantly the quality of regional government- matters for the efficiency of cohesion policy at the regional level.

## **Conclusion**

This chapter discussed the adaptation capacity and performance in Greece during the fourth programming period 2007-2013 and under the severe financial crisis that started in 2010. In particular, it delved deeply into the Region of Attica, the most competitive region of the country and attempted to show the extent to which the introduction of the principle of partnership has altered the participation of sub-national actors within the framework of the Regional Operational Programme “Attica” 2007-2013. Empirical evidence in the region of Attica has identified the Quality of Government as a key explanatory variable that determines the level of adaptation and adjustment capacity.

Specifically, demonstrating low levels of QoG in all relevant measurements and also very low institutional trust, Greece appears to be trapped in a vicious cycle, lagging behind in terms of adaptation capacity. Moreover, fieldwork research in the Region of Attica has shown that although there has been some sub-national mobilization involving the participation of regional and local as well as private sectors' actors in the Monitoring Committee, these actors seem to operate according to the clientelistic traditions and political bargaining, phenomena characterized as "sticky" by the institutional theory of trust. Therefore, it is not hard to conclude that, although there adaptational pressures have resulted in considerable evolution with regard to policy and institution-building, the level of adjustment is defined by the pre-existing domestic institutional features.

One must not assume, however, that this assumption could categorize all regions sharing the same formal institutions as Attica. The aim of the research is to test whether Quality of Government and the notion of institutional trust can account for regional divergence and variation in adjustment and policy performance.

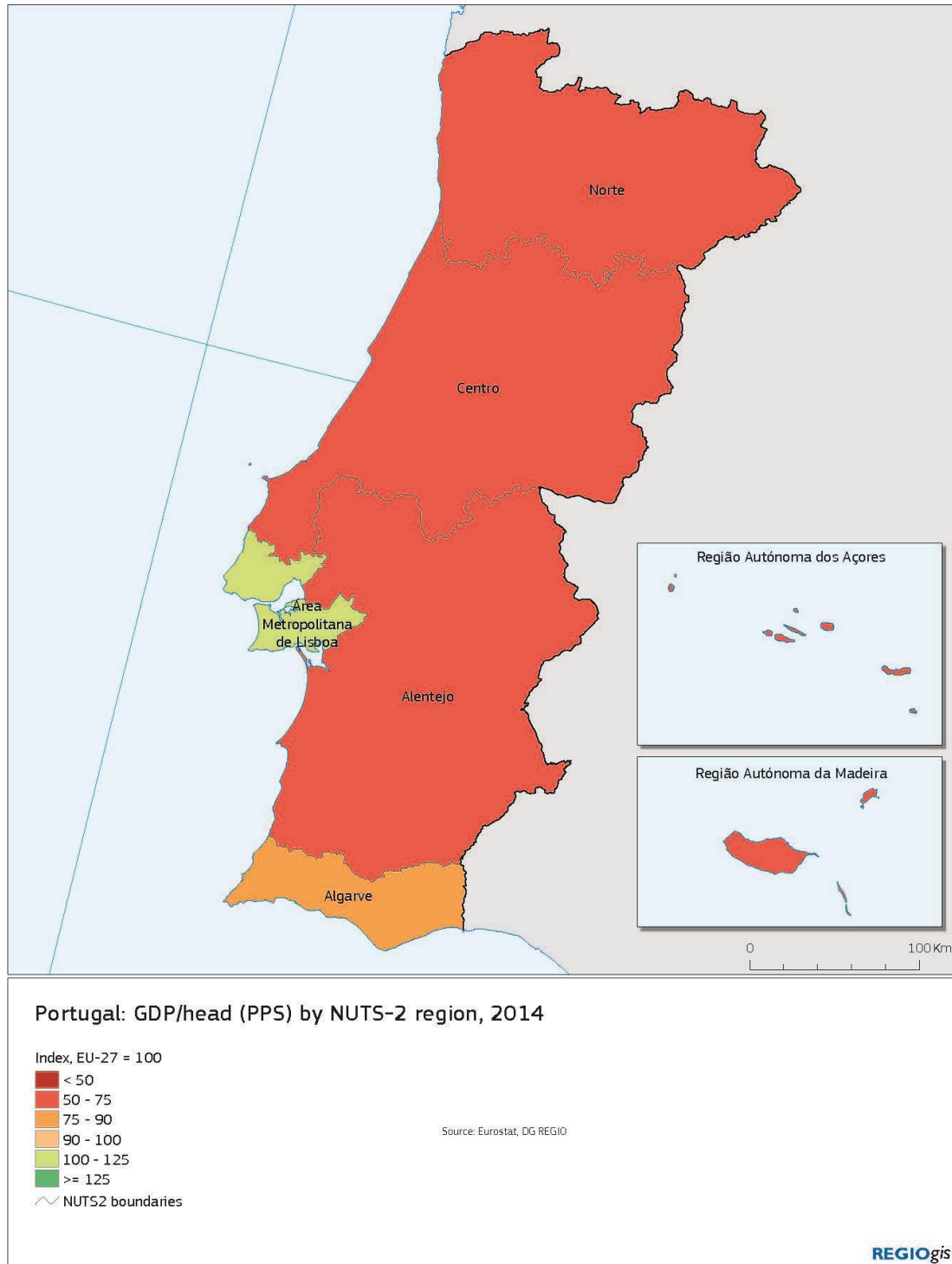
## **Chapter 6**

### **Regional disparities and the challenge of adjustment in Portugal: the case of the Region of Lisbon**

#### **Introduction**

The previous chapter has shown that in the Region of Attica, the long-term process of adaptation to the multi-level governance structure has been mediated by domestic pre-existing formal, but mainly informal, institutions, which are characterized by stickiness and are difficult to change over time. In this chapter, research now focuses on Portugal, also a unitary and highly centralized state. As seen in Chapter four, and in a similar vein to Greece, the very nature of Europeanization required compliance with the European norms and practices and created great adaptational pressures to the Portuguese state, which entered the European Community bringing together an authoritarian legacy of four decades. Therefore, the aim of this chapter is to assess the level of change in the institutional and administrative structure of Portugal and to test the degree to which the quality of government variables can account for variation for the pace of institutional adjustment. For this purpose, the analysis focuses on one of the two metropolitan areas of Portugal, the Region of Lisbon, and the governance structure of the Regional Operational Programme “Lisbon” 2007-2013.

**Map: Portugal and NUTS II Regions, GDP/head (PPS), 2014**



Source: European Commission, DG Regio (2016)

## 6.1 Regional disparities in Portugal

The regions of Portugal are characterized by their situation and distance from the coast. A big part of Southern Portugal and the inland highlands have mountainous landscapes and defined by the underdevelopment of transport infrastructure, remaining relatively sparsely populated and less accessible. On the other hand, the north-eastern regions traditionally enjoy easy accessibility, due to the coast and the large navigable rivers, namely Douro and Tagus, the largest river in the Iberian Peninsula.

The territorial structure of Portugal is characterized by an unequal distribution of resources and population and diverging regional potential for economic growth. The Portuguese urban system is centred on the Lisbon Metropolitan Area (the Portuguese capital and the wealthiest region), which, compared to the other NUTS II regions, outstands in socio-economic indicators. With the exception of the region of Norte, where the textile manufacturing is concentrated and which has been suffering by great industrial decline the past 25 years, mainland Portugal is characterized by strong imbalances. The coastal areas are more competitive and social cohesive and enjoy higher income, while the interior is characterized by the concentration of ageing and declining population, thus being less competitive.

Significant socio-economic disparities have also been present between the Lisbon Metropolitan Area and the rest of the country. In particular, employment in Lisbon is concentrated in public administration, business and financial services and marks the economic heartland of Portugal. Agriculture and industry, as well as tourism in coastal areas, dominate the employment of the labor force in the region of Algarve and the off-shore regions of Madeira and the Açores (EC 2016b, p. 11, DG REGIO 2010, p. 6). Finally, employment in the regions of Centro and Alentejo is based mainly on manufacturing industry. In these regions, which are in the centre of the country, the absence of large metropolitan areas limits economic dynamism and encourages the tension of depopulation (DG REGIO 2010, p. 8).

During the 2007-2013 programming period, the region of Lisbon and the autonomous region of Madeira have been under the Competitiveness and Employment Objective, the latter as a Phasing-in region. On the other hand, the regions of Algarve, Alentejo, Centro and Norte and the autonomous region of Açores have been supported by the Convergence Objective, with Algarve as a Phasing-out

region. Over the decade before the onset of the global crisis, regional disparities in Portugal tended to widen. During the CSF III, the Gross Value Added per head in the Convergence regions of the 2007-2013 programming period grew by only 0.7% annually, while in the Transition regions of Madeira and Algarve growth reached an average 2.6% per year. Similarly, the unemployment rate ascended from 3.3% in 2000 to 7.7% in 2007 in the Convergence regions and from 3.2% to 6.7% in the Transition ones (EC 2016b, p. 11).

Differences in the employment rates have also contributed to the regional asymmetries of the country. The NUTS II autonomous regions of Madeira and the Açores demonstrated the higher increase in employment rate, from 63.9% of the population aged 15-64 in 2000 to 66% in 2009 and from 60.1% to 64.8% respectively. GDP per head also increased in a relatively high rate in these regions. Likewise, the regions of Lisbon, Madeira and Algarve have a higher than national average GDP per head and employment rates above the national average. On the other hand, Alentejo and the Açores are characterized by lower employment rates, mainly due to the limited participation of women in the work force in the Açores and the ageing of the population in the region of Alentejo (DG REGIO 2010, p. 6).

Regional disparities in Portugal and the coastal-inland division are visible in terms of GDP per capita, but much more in terms of unemployment and educational training. Regional variations in competitiveness across the country are regarded as challenge and it is more and more acknowledged that public policies need to focus on improving national competitiveness, not only in Lisbon, but in all Portuguese regions (OECD 2010, p. 240). The table below illustrates the range of regional disparities during the fourth programming period in Portugal:



**Table 6.1: Regional disparities in Portugal (2011, 2016)**

Territorial sector	Unemployment rate (% of labour force aged 15-74)		GDP (€ per inhabitant)		Tertiary education attainment (% of population aged 25-64)		Human resources in science & technology (% of labour force)	
	2011	2016	2011	2016	2011	2016	2011	2016
NUTS II Regions								
<b>Lisbon Metropolitan Area</b>	14,2	11,9	<b>23.400</b>	<b>23.800</b>	14,4	19,8	<b>33,6</b>	<b>45,4</b>
<b>Centro</b>	<b>10,4</b>	<b>8,6</b>	14.200	15.700	<b>15,9</b>	<b>21</b>	21,2	31,5
<b>Norte</b>	13,2	12,2	<b>13.500</b>	<b>15.300</b>	13,3	19,1	23,2	30,1
<b>Algarve</b>	<b>15,6</b>	9,3	16.400	19.300	15,4	-	22,9	30
<b>Alentejo</b>	12,6	12,2	15.200	16.800	<b>11,4</b>	<b>16,1</b>	23,6	28,3
<b>Autonomous Region of Açores</b>	11,4	11,2	15.200	16.200	-	-	<b>20,9</b>	29,6
<b>Autonomous Region of Madeira</b>	13,7	<b>13</b>	16.400	17.500	-	-	22,6	<b>28</b>

Source: Eurostat, EU Commission, various years (- = no data available)

## 6.2 The National Strategic Reference Framework 2007-2013

The Portuguese National Support Reference Framework for the period 2007-2013 has been guided by five strategic priorities: a) to promote the qualifications of the Portuguese population through development in knowledge, science, technology, innovation and culture, b) to promote sustained growth through the reduction of public administration costs, improvement of productivity, raising the qualification of employment and the competitiveness of the territories and enterprises, c) to guarantee social cohesion by strengthening employability and entrepreneurship, improving school and professional qualifications, promoting gender equality, inclusive citizenship practices and social rehabilitation, as well as enhancing health as a means of social inclusion, d) to ensure the qualifications of the territory and the cities by ensuring environmental gains, promoting better territorial planning, encouraging

regional decentralization of scientific and technological activity, improving connectivity of the territory and strengthening the urban system and e) to raise the efficiency of governance by modernizing public institutions, improving efficiency of social and collective systems and boosting civil society and regulatory improvements (CSF III Observatory, 2007).

The priorities established for the Portuguese NSRF have been addressed through the following three Thematic Operational Agendas: human potential; competitive factors; territorial enhancement. These Thematic Operational Agendas sought to booster the coherence and complementarity of the interventions of the thematic and regional operational programmes. Thus, in line with the Agendas, the NSRF 2007-2013 was implemented through two national Thematic Operational Programmes<sup>77</sup>, seven Regional<sup>78</sup> (one for each NUTS II region, including the autonomous regions) and one programme for the Convergence regions as a group<sup>79</sup>, all co-financed by the ERDF and the Cohesion Fund. Four additional Operational programmes were also supported by the European Social Fund<sup>80</sup>. Six Territorial Co-operation Operational Programmes were also included (cross-border, transnational, interregional) (CSF III Observatory, 2007)

One of the major concerns of the 2007-2013 strategy in Portugal has been to concentrate funding on fewer projects, areas and sectors with the aim to achieve effectiveness and maximize the funds for cohesion and competitiveness growth, in line with the Lisbon and the Europe 2020 strategy. The ERDF and Cohesion Fund initially available for Portugal amounted to 14.6 € billion, risen to 21.5 € billion with the amount available from the ESF. In the Convergence regions, significant shares of funding were allocated to the areas of Enterprises' support and innovation, as well as to social services, culture and urban regeneration and to a lesser extent to environment and energy. The same goes for the Competitive regions, with slight differences.

In the second half of the programming period, there have been considerable shifts in funding allocations. The majority of these shifts have been the outcome of the financial crisis and the need to have an immediate and direct effect on economic

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<sup>77</sup> The Thematic Operational Programmes are the following: OP Territorial Enhancement, OP Technical Assistance

<sup>78</sup> The Regional Operational Programmes are the following: ROP Norte, ROP Centro, ROP Lisboa, ROP Alentejo, ROP Algarve, ROP Madeira, ROP Açores

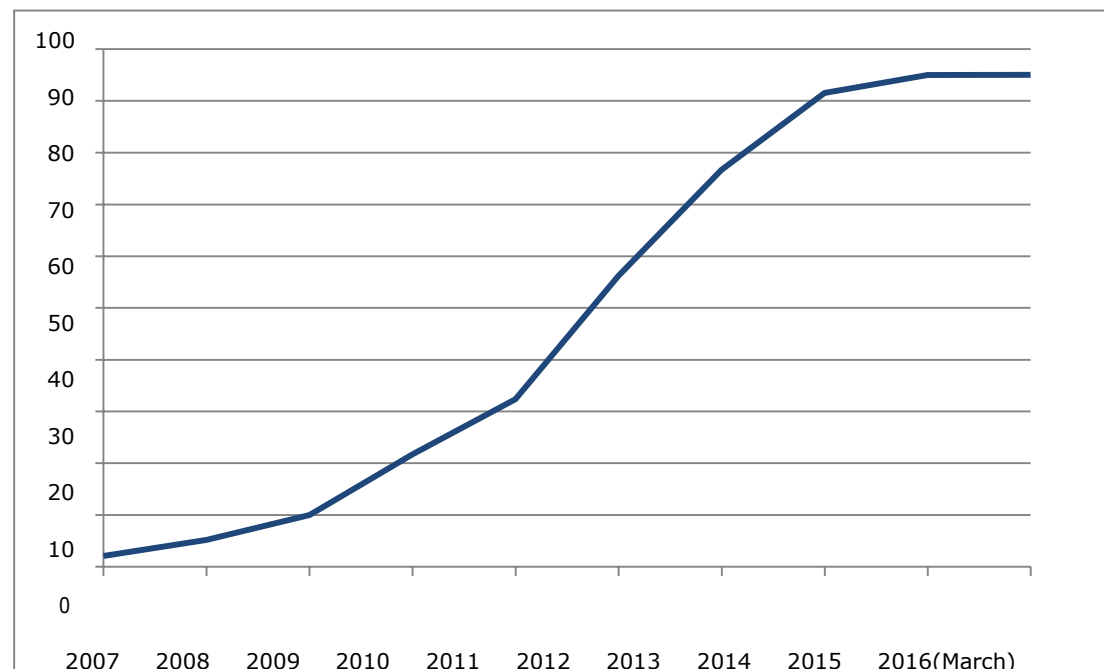
<sup>79</sup> Thematic Operational Programme «Competitiveness Factors», supported by the ERDF

<sup>80</sup> Thematic Operational Programmes «Human Potential» and «Technical Assistance», Regional Operational Programmes «Madeira» and «Açores»

growth and job creation. Other factors that provoked this reallocation have been the incapacity of the public sector to find private co-financing for large construction projects and the delays in railway investment. Therefore, cuts in funding for railway investment were re-allocated to culture and social infrastructure (schools' building and renovation). Additional cuts have been made to the areas of environment and capacity building, whereas funding in R&D and urban regeneration has been increased (EC 2016b, p. 12-13).

Due to the harsh financial public difficulties that Portugal faced in the second half of the programming period, the EU co-financing rate has been increased to from 63% to 74%. Moreover, national co-financing and private sector co-financing have been reduced by 60% and 20% respectively of the initial amounts that had been planned. This decrease in national co-financing made it easier for the central government to carry out expenditure and, combined with the shifts in fund allocations, led to a remarkable increase in the absorption rate at the very beginning of 2012. By the end of that year, expenditure rose from 32% to 56% and reached 95% already in 2015 (EC 2016b). The absorption rate of the Portuguese NSRF is figured below:

**Table 6.2 NSRF 2007-2013 absorption in Portugal**



Source: European Commission (2016)

In Portugal, two institutions are in charge of the NSRF 2007-2013: the Ministry of Economy, Innovation and Development and the Ministry for Environment, Spatial Planning and Regional Development (Ministry of Planning). In addition, a new coordination body has been created, the Strategic Advisory Committees, with the purpose of supervising each operational programme and the NSRF as a whole. The aim of this new institutional set up has been to assist the input of the different ministries responsible for strategic decisions, to provide a clear separation of functions between strategic design and delivery and between management and political supervision and to increase political accountability and transparency in decision-making. Moreover, great prominence has been given to the NSRF Observatory, an institution at the national level responsible for the strategic monitoring of the Structural Funds and aiming in horizontal and vertical coordination between the ministries involved (OECD 2010, p. 244-245).

At the sub-national level, decision-making power in the regional operational programmes rests upon the Commissions for Regional Coordination and Development (CCDR), which are a decentralized branch of the Ministry of Planning. Under the NSRF, the CCDRs constitute also the Managing Authorities of the Regional Operational Programmes. Moreover, “inter-sectoral coordination councils” have been created within each CCDR, aiming in facilitating collaboration between the CCDR and the Regional Directorates of the respective Ministries. Nevertheless, since these councils lack the organizational structure that would enable effective dialogue and information flow, their function is limited to the central state’s control over activities at the regional level (OECD 2010, p. 244-245, OECD 2008, p. 114).

Furthermore, a powerful movement of the governance structure of the Portuguese NSRF 2007-2013 has been the promotion of inter-municipal associations. Specifically, the Portuguese government launched a new law in 2008 with the purpose to bring together the municipalities and to integrate local public investment at the NUTS III level through the provision of incentives, namely the possibility to collect local taxes themselves or receive EU grants as managing authorities of certain operational programmes. Indeed, all municipalities have now been engaged in inter-municipal associations at NUTS III level. Through these inter-municipal collaboration mechanisms, the central state’s aim has been twofold: to push local governments to rationalize public infrastructure for proximity services (e.g. primary education, health services) at a supra-municipal level through the inter-municipal communities; to

promote the valorisation of local assets through inter-municipal collaboration institutions (OECD 2010, p. 244-245, OECD 2008, p. 115-116).

These contract arrangements between different levels of government constituted an opportunity to foster collaboration and manage relationships between the central state and local governments. In addition, they have served as tools moving towards some form of decentralization, with the central government retaining its hierarchical role, though supporting capacity building at the sub-regional level. The expansion of these contracts between the MA of the OPs and the ROPs on the one hand and the Inter-municipal Communities on the other is also considered a step forward for the improvement of policy coherence and effectiveness. Such contracts have favoured the implementation of policies and the provision of public services and allowed local governments to intervene in supra-municipal issues (through the inter-municipal communities).

Overall, the development of sub-regional interventions, based on the support of EU Structural Funds is regarded as a dynamic driving force for the central role of Inter-municipal Communities, either through funding or through the introduction of strategic planning procedures. These processes have shown the progress made in Portugal regarding the expansion of the experience of multi-level governance. Indeed, one of the main gains of the contract arrangements has been the creation of a new arena of public policy built at the sub-regional level, with the Inter-municipal Communities acquiring responsibilities for designing, implementing and evaluating public policies and services.

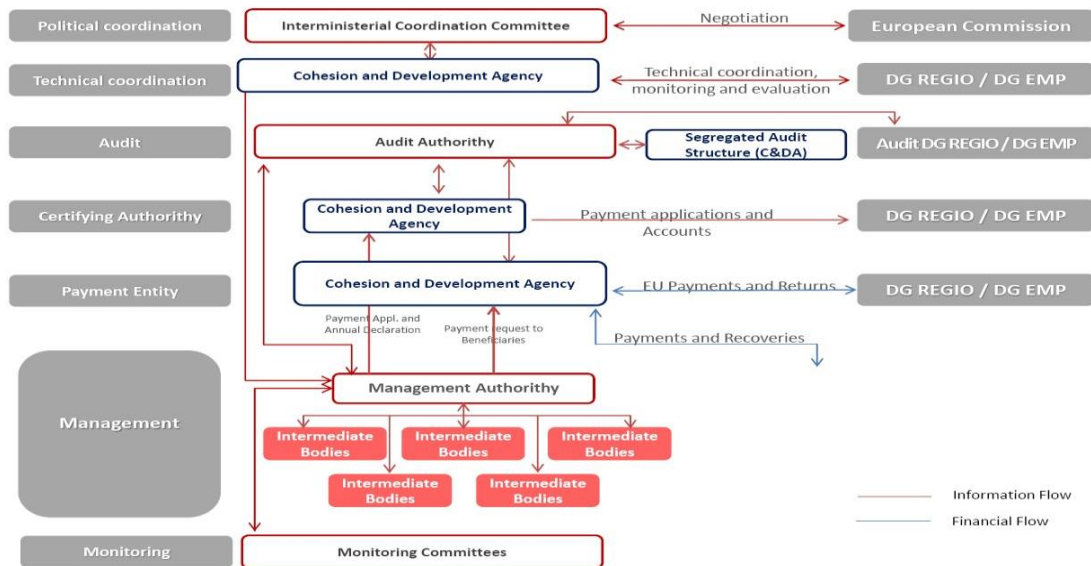
Finally, of great importance has been the establishment of the Agency for Development and Cohesion (*Agência para o Desenvolvimento e Coesão*) in 2013, which has been the result of the merger of the Regional Development Financial Institution (IFDR) and the European Social Fund Management Institution (IGFSE). The AD&C is part of the Ministry of Planning, acting under its supervision and is responsible for supervising Cohesion Policy throughout the national territory, ensuring transparency and coordinating the European Structural Funds. Its purpose has been the concentration in a single institutional body of all the tasks related to coordination, certification, evaluation, monitoring and control (in cooperation with the Audit Authority) and the rationalization and effectiveness of services<sup>81</sup>.

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<sup>81</sup><https://www.adcoesao.pt/>

The governance structure of the Portuguese NSRF is pictured below:

**Figure 6.1 The Portuguese institutional set-up of the NSRF 2007-2013**



Source: Borrowed from Duarte Rodriguez, Vice President of the AD&C

Overall, Portugal is one of the few EU member states where the responsibility of cohesion policy -and the NSRF in particular- relies on a specific ministry. The creation of the Inter-ministerial Coordination Committee within the central government has been a step forward towards promoting inter-ministerial government and resulted in simplifying the objectives of the period of 2007-2013 from 12 sectoral OPs of the CSF III to just three Thematic OPs under the NSRF. Nevertheless, there is still plenty of room for enhancing inter-ministerial collaboration, particularly in regional development policies targeted at low-density areas (OECD 2008, p. 131).

### 6.3 Case study: The Region of Lisbon

The Region of Lisbon is one of the seven NUTS II regions of Portugal and measures 3.015,24 km<sup>2</sup>. It is located at the west coast of Europe and as of 2002 consisted of two NUTS III sub-regions: the Greater Lisbon and the Setubal Peninsula. Since 2013, the Region of Lisbon consists of only one NUTS III sub-region, the Lisbon Metropolitan Area (a union of 18 municipalities)<sup>82</sup>. It is home to more than 2.8 million inhabitants, who account for 35.2% of the Portuguese population, and has the highest regional population density in Portugal. As Europe's most western frontier, Lisbon has a rime geostrategic position that makes it the major Atlantic gateway to the continents of America and Africa<sup>83</sup>. Compared to the other Portuguese regions, it has the best communication and transportation infrastructure and its inhabitants are considered to have the best educational profile (QREN Observatory, 2008). In addition to the above competitive advantages, the Lisbon Metropolitan Area (LMA) is the most important of the two Portuguese metropolitan areas (the second is the Metropolitan Area of Porto) and has therefore been considered as the most appropriate case study regarding institutional adaptation.

The Region of Lisbon is in a relatively advanced stage of economic development compared to the rest Portuguese NUTS II regions. The Portuguese urban system is centred on the Lisbon Metropolitan Area which, compared to the other NUTS II regions, outstands in socio-economic indicators. It records the highest average levels of income per capita and is the most important contributor to the national GDP (36.9%), having the best figure in 2014 among all the Portuguese regions (108.4%, with the EU 28 average=100%). Additionally, it has the highest density of enterprises in the country, much higher than the national average. The regional economic activities are mainly based on the tertiary section, while the presence of primary and manufacturing activities is rather low. Specifically, 87% of the regional GVA comes from the tertiary sector, 12.6% from the secondary (including construction) and a slight 0.4% from the primary sector. Employment is concentrated in public administration, business and financial services and the region has the highest levels of labour force productivity when compared to other regions. However, in the third

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<sup>82</sup> The area of intervention of the CCDR of the Region of Lisbon continues to be composed of 5 NUTS III sub-regions (Greater Lisbon, Setubal Peninsula, Middle Tagus, Lezíria do Tejo and Oeste)

<sup>83</sup> <http://www.ccdr-lvt.pt/pt/>

quarter of 2015, the unemployment rate reached 12.8% (the national average was 11.9%), making Lisbon the third Portuguese region with the highest unemployment rate<sup>84</sup>.

As the capital of Portugal, Lisbon has a high concentration of universities and state and associate laboratories (involving several research units from universities and research institutes). It also has the highest share of science and technology resources and expenditure in R&D activities, with businesses being the main players. Particularly, in 2013 46.7% of the expenditure in R&D activities has been implemented by companies, 40.9% by higher education institutes, 9.9% by the national government and 2.4% by non-profit organizations. Nevertheless, despite the progress made in the past years, the region is still catching up. The use of scientific and technological expertise in favour of the industries remains still a challenge in Lisbon, especially in the areas of telecommunication, software, multi-media and biotechnology. The same goes for the collaboration between companies and universities concerning the exploitation of activities in R&D and the use of innovative technologies<sup>85</sup>.

### **6.3.1 The Regional Operational Programme “Lisbon” 2007-2013**

As part of the strategic planning of the Portuguese NSRF and in accordance with the Lisbon 2020 Regional Strategy<sup>86</sup>, the Operational Programme of the Region of Lisbon for the period of 2007-2013 gave emphasis on the areas of technology and innovation, environment and qualifications of human resources, visioning in the development of the LMA.

For the fourth programming period, Lisbon has been included in the Regional Competitiveness and Employment Objective. A significant reduction of the amount in Structural Funds for this period led to the conception of a Regional Operational Programme with great concerns of selectivity and concentration of the regional priorities. Within this context, the ROP Lisbon assumed three major priorities: Competitiveness, based on the internationalization and the knowledge economy;

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<sup>84</sup><https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/>

<sup>85</sup>Ibid.

<sup>86</sup>The « Lisbon 2020 Regional Strategy » focuses in converting the region in the 2020 horizon, in a cosmopolitan metropolis, with European dimension and centrality, fully inserted in the knowledge society and global economy and attractive through its territorial singularity and quality, nature and Euro-Atlantic position.



Territory, anchored in the qualification of the cities, the improvement of transport systems and the environmental sustainability and efficiency; and Social Cohesion, focusing on the harmonious promotion of the social and cultural diversity of the region, the inclusion of people with special needs and the quality of life and urban well-being (QREN Observatory, 2008).

Thus, the framework of the ROP “Lisbon” 2007-2013 has been centred on the following four priority axis<sup>87</sup>:

- Competitiveness, Innovation and Knowledge, aiming in promoting innovation and technological development, technology and knowledge transfer and fostering the internationalization of the regional economy.
- Sustained Regional Growth, with the aim to conceive solutions for urban issues, facilitate the mobility of the population and encourage environment-friendly transport, recycling and the environmental effectiveness of public services.
- Social Cohesion, targeting in urban regeneration, immigrants’ inclusion and support of those in need.
- Technical Assistance that will permit the co-financing of activities regarding programme management, monitoring, evaluation, assessment, organization, information and communication.

Overall, the ROP Lisbon for the 2007-2013 programming period focused on projects promoting research and technological development, competitiveness and innovation, energy efficiency and environmental protection and social integration, aiming in enhancing the competitiveness of the region within the global economy, the inclusiveness of young, less skilled and disadvantaged people in the labor market and the resource efficiency. At a first sight it presented a clear alignment between regional planning and the common thematic objectives set for the EU that would enable the region to face the challenges of regional competitiveness.

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<sup>87</sup>[https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_08\\_641](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_08_641), (accessed on April 24, 2020)

### **6.3.2 Review of the main issues emerged during the implementation of the ROP Lisbon**

As in the case of the Region of Attica, the main problems regarding the implementation of the ROP Lisbon during 2007-2013 were linked to the financial crisis and the difficulties of a large number of beneficiaries to mobilize the necessary resources to co-finance the projects. In particular, at the end of 2010 and as a result of the austerity measures, both public and private entities faced increased difficulties in accessing credit and obtaining bank guarantees, which hampered the operation and the pace of execution of projects. Thus, delays in the implementation and execution of operations were a common issue within this programming period (MA Lisbon, 2014)

The difficulty of guaranteeing, on the part of the beneficiaries, the national counterpart of their investments, affected in many ways the measures that were launched by the Management Authority of ROP throughout 2010, in order to stimulate the acceleration of the execution in that year. In 2011 and 2012, the deterioration of the financial crisis and the changes in the socio-political landscape led to a slowdown in the financial execution of the projects, in particular those promoted by the Local and Central Administration, which are very dependent not only on the increasingly reduced availability for budgeting but also to the new strategic guidelines stemming from the institutions to which they belonged (MA Lisbon 2014).

In 2009 the absorption of the ROP was in 13% and reached over 86% by 2014. This picture is also reflected in Portugal's high performance regarding absorption rates. Specifically, the NSRF Observatory indicated that in 2013 the country received 807€ million in intermediate payments which amounted to almost 43% of the NSRF. By October 2013, the total absorption rate of the NSRF funds reached 69.2% (MA Lisbon 2014).

Moreover, the ROP Lisbon performed remarkably well in meeting the Lisbon 2020 Regional Strategy, focusing on the areas of innovation, environmental sustainability and social cohesion. In addition, expenditure on targets set by the Lisbon strategy reached 80%, with high absorption rates in the programmes covering the axis of territorial sustainability and social cohesion (MA Lisbon 2014).

### 6.3.3 Analysis of the contribution of the ROP to the Lisbon strategy and the Europe 2020 targets

At the beginning of 2010 the execution rate of the approved projects amounted to 15, 6%. However, at the end of that year this percentage reached 18%, as a result of the efforts of the MA of the ROP to enhance the growth of the absorption rate. Indeed, by the end of 2010 the programme had a total commitment rate of 78%, corresponding to 240€ million from the ERDF.

In January 2013, the Monitoring Committee of the ROP announced that in 2012, the programme recorded an eligible investment of almost 300€ million and a total ERDF amount of 163€ million, corresponding to an execution rate of over 53%. Absorption by that year reached 65%, which has been the highest among the Portuguese Regional Operational Programmes within 2007-2013, strengthening the role of the Region of Lisbon as a powerful engine of the Portuguese economy and the country's structural transformation. As of the end of 2014, the POR Lisbon had a total investment rate of almost 713€ million, with the rate of commitment reaching 101% (MA Lisbon 2014).

With regard to the analysis of the priority axes, the contribution of the first priority axis to the POR Lisbon has been predominant, with a total eligible investment of over 365€ million, corresponding to almost 42% of the total ERDF. Projects regarding support for public administration and the promotion of institutional training represented the 11% of the ERDF approved for this axis. The support the development of initiatives related to R&D was as a strategic objective of the ROP and at the end of 2014 the commitment rate reached 90.04%, clearly above the target for 2015 (55%), suffering a slight drop compared to 2013 (90.78%), due to the cancellations of projects. The weight of R&D in the total of the program, however, reveals a marked growth between 2011 and 2014, going from 17% to 23.18% of R&D incentives compared to the amount ERDF allocated to the Program, meeting the 2015 target in advance (16%) (MA Lisbon 2014, pp. 128-133, p. 167).

Until the end of 2014, over 145 projects had been approved within the second priority axis, representing about 101% of the total public expenditure. The projects integrated within the axis concerned the preservation and management of protected spaces, environmental valorization, the enhancement of the coastline, the prevention and management of natural and technological risks and hazards, urban regeneration (project Cities Policy), energy and the optimization of waste management. The total

eligible investment executed by the end of 2014 reached 88€ million and the financial realization rate was about 96%. The total amount of ERDF approved in this area was 56€ million. It should be noted that the value of the fund in approved applications decreased, compared to 2013, due to the down-rescheduling that occurred in 2014 (MA Lisbon 2014, pp. 169-171, 195-196).

The third priority axis has been the second most important axis of the ROP, covering the thematic priorities of social inclusion of minorities, requalification of the school network of basic and pre-school education and cultural enhancement. Until the end of 2013, 208 operations were approved with an investment 144€ million, to which corresponded to an ERDF of 92.9€ million, representing about 108% of the total programmed for this axis. The Jessica Initiative that was also included in this axis, despite being financial engineering, it was associated with urban regeneration projects, representing approximately 5% of the total approved in the Axis. The total investment carried out until the end of 2014 amounted to 139€ million. Absorption by the end of 2014 was almost 97% (MA Lisbon 2014, pp. 197-203, p. 221).

Finally, within the fourth priority axis, until the end of 2014, 31 operations were approved, regarding technical assistance actions, with an eligible investment of 11.7€ million, corresponding to an ERDF of 9.1€ million, representing an average co-financing rate of 77.82%. By the end of 2014, the total absorption rate was not higher than 69% (MA Lisbon 2014).

Overall, as the last evaluation report of the ROP Lisbon indicates, by the end of 2014 the projects with the highest execution (100%) and absorption rates have been within the thematic priorities of domestic and industrial waste management, the promotion of clean urban transport, the planning of natural and technological risk prevention and the fostering of social cohesion through the increase of migrants' participation in the labour market. Moreover, high execution rates (90%) have also been marked in the thematic priorities of the promotion of e-services in public administration, rural and urban regeneration, energy management and efficiency, life-long learning and the promotion of entrepreneurship and innovation (MA Lisbon 2014, pp. 223-227).

Regarding the goals set for the 2007-2013 programming period, the evaluation report indicates the highest achievements in the areas of job creation -where the execution rates over exceeded the initial goal (497%)-, solid waste management, the increase of the population deriving advantage from the expansion of the urban

transport, as well as those benefiting from measures taken against natural and technological hazards, the promotion of sustainable development within the region, the fostering of all stages of education and the strengthening of social cohesion through the promotion of equal opportunities for minorities and young people (103%) (MA Lisbon 2014).

With regard to the Europe 2020 Regional Index, in 2012 Lisbon's score was close to 0.80, just a little below the EU28 target (0, 82). Specifically, the employment rate in 2011 reached almost 68% of the population aged 20-64, while the EU28 average was 68.4% and the Europe 2020 target set at 75%. Additionally, as already seen above, the Region of Lisbon performs remarkably well with regard to R&D expenditure. In 2011-2012 total expenditure on R&D was almost 3% of the regional GDP, reaching the Europe 2020 target (3%). This rate fell to 2% in 2014, but was still close to the EU28 average (2, 04%) (JRC 2014, EC 2017).

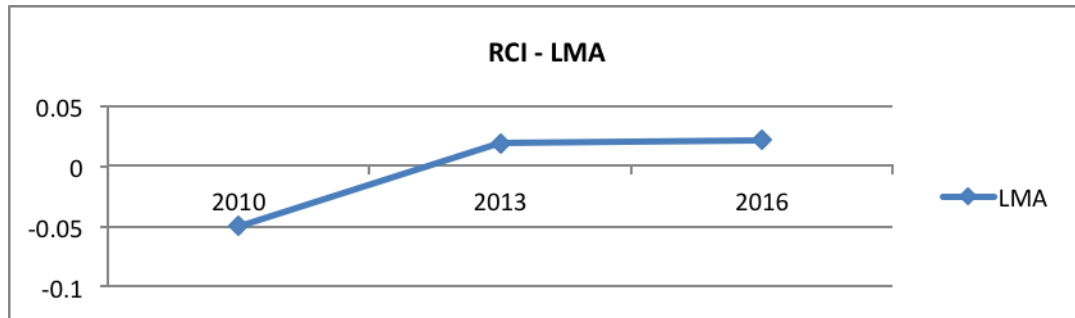
Concerning energy efficiency and the environmental challenges, the region of Lisbon performs remarkably well in this target, with more than 65% of the total electricity generated being produced by renewable energy sources. With regard to the population aged 30-34 with a tertiary educational training, within 2010-2012 it amounted to almost 33%, a percentage which remained stable until 2016 and a little less below the EU28 average (34, 6%), while early school leavers from education aged 18-24 amounted to over 16% of the population, with the EU28 average being 13,3% and the Europe 2020 target to <10%. Lastly, with the regard to the Europe 2020 target for the reduction of the number of people at risk for poverty and social exclusion from 23, 7% to 19, 5% of the total population, the Region of Lisbon performed relatively well amounting to less than 23% of the population and the EU28 average being to 24, 8%, while evidence from the evaluation of the ROP indicates that this percentage has been further decreased (EC 2017).

Overall, the region of Lisbon is regarded to have contributed effectively to most of the Europe 2020 targets at the same time the evaluation of the ROP indicates a percentage of 88% commitment to the targets of the Lisbon strategy (MA Lisbon 2014,).

Thus, out of 262 EU regions, the Region of Lisbon ranks 127 within the Regional Competitive Index 2013, recording relatively high scores in the pillars of innovation and labor market efficiency and being in a high developmental stage since 2010 (JRC

2013). The figure below offers a time comparison of the performance of the Region of Lisbon with regard to the Regional Competitive Indexes (2010, 2013, 2016)<sup>88</sup>:

**Figure 6.2 Regional Competitive Index (time comparison), Lisbon Metropolitan Area**



Source: Joint Research Center (2013), European Commission (2017), own elaboration

#### 6.3.4 Institutional network and the application of the partnership principle in the ROP “Lisbon”

As noted earlier, Portugal has undergone extensive institution building in order to comply with the EC regulations and to adapt the central government structure to the Cohesion policy requirements. The aim of the creation of de-concentrated administrative bodies has been the promotion of regional development and the effective implementation of EU Structural Funds. As seen in the table that follows, there is a very strong presence of the central state and a weak participation of civil society.

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<sup>88</sup>It should be noted that the changes in the RCI scores over time are informative, because each edition of the index incorporates improvements and slight modifications. These do not affect the overall structure of the index, but they limit the possibilities of measuring change over time. However, the three editions of the RCI provide a unique means of monitoring and assessing the development of regional competitiveness across the EU.

**Table 6.3 Main actors in the ROP Lisbon 2007-2013 policy network**

<b>Government Level</b>	<b>Public</b>	<b>Public &amp; Private</b>	<b>Associations/Private</b>	<b>NGOs &amp; Civil Society Associations</b>
<b>National</b>	Directorate-General of Regional Development (Ministry of Planning)	Strategic Advisory Committee	National Association of Portuguese Municipalities	University of Lisbon
	Inter-ministerial Coordination Committee		National Association of Portuguese Parishes	
	NSRF Observatory		Portuguese Business Association	
	Agency for the Development and Cohesion (AD&C)		Portuguese Industrial Association	
<b>Regional</b>	Regional Coordination & Development Committee of LTV (MA of ROP Lisbon)	ROP Monitoring Committee	Business Association of the Lisbon Region	
	Inter-sectoral Coordination Council		Business Association of the Setubal Region	
<b>Local</b>	Lisbon Metropolitan Area (Authority)			

The case study research in the Region of Lisbon reveals the dominant role of the central state and the CCDR, which is the MA of the ROP, the involvement of various public and private associations and chambers, as well as associations of the municipalities. The participation of NGOs and civil society actors is very weak. The Directorate General of Regional Development (that is the Ministry Planning) prevails in all operations of the ROP Lisbon, namely management, implementation and monitoring. Thus, research in the Region of Lisbon, reveals a strong hierarchical and centralized policy-making system and a relatively vertical network structure.

#### *Public actors and the role of the central state*

At the national level, the Ministry of Planning through the Directorate-General of Regional Development has been the major central actor. Because of the strong

centralization and sectorialization of the Portuguese regional development policy, the ministries of Finance, Education, Labour and Agriculture and Fishing also participate in the Inter-sectoral coordination council of the CCDR.

At the regional level, the CCDR, which is the de-concentrated unit of the Ministry of Planning, has also a key role. Serving as the Managing Authority of the ROP Lisbon, it is the institution in charge of the overall implementation of the ROP and oversees all institutions responsible for the programme. The CCDR serves as the mediator between the central state and the subnational actors, including the municipalities. The importance of the CCDR as a regional actor also relies on its duty to oversee and coordinate municipal projects and inter-municipal contract arrangements, as well as integrated territorial projects financed by the Structural Funds.

At the regional level, the Monitoring Committee of the ROP (*Comissão de Acompanhamento*) has been responsible for the coordination and monitoring of the Structural Funds available through the ROP Lisbon. Specifically, it is in charge of elaborating and approving the criteria of the selected projects of the ROP, the annual and final evaluation reports, analyzing the MA's proposals and consulting on actions and projects related to regional sustainable development and to the execution of financial instruments.

During the fourth programming period, the Lisbon Metropolitan Area appears to act as an individual actor, but mostly as funds' beneficiary. Fieldwork research revealed the lack of cooperation and horizontal communication between the municipalities outside the inter-municipal contract arrangements. With regard to the latter, it should be stressed at this point that under the CSF III, an inter-municipal contract between the Lisbon Metropolitan Area, the Inter-municipal Community of Middle Tagus, the Urban Community of Léziria do Tejo and the Association of Municipalities of the Oeste on the one hand and the MA of the ROP "Lisbon" 2000-2006 on the other, led to the formulation of an integrated investment project based on strategic action plans of all participants and focused contributing to the pursuit of the objectives of the LTV Region<sup>89</sup>.

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<sup>89</sup>This specific sub-regional contract focused on the areas of a) Accessibility and Equipment, b) Environmental enhancement and equity and c) Regional Institutional Capacity, which were parts of one of the priority axis of the ROP Lisbon 2000-2006 (AD&C, 2018).



Unfortunately, the Region of Lisbon has not been part in any Inter-municipal contract under the ROP Lisbon in the 2007-2013 programming period<sup>90</sup>. Therefore, no cooperation among inter-municipal communities or partnerships between actors from different levels has been identified in the region. Nevertheless, the experience of the CSF III, as well as of the fifth programming period 2014-2020<sup>91</sup>, are considered an integrated bottom-up approach where the municipalities of the Region of Lisbon present themselves as key actors in the process of territorial development and active participants in the achievement of the objectives of Regional Operational Programmes. This assumption has been further verified by most of the interviewees, who assess the participation of municipalities as very active and mention their role as continually increasing in the policy-making process.

Overall, the Lisbon Metropolitan Area is incrementally developing in a crucial institutional actor in the Region, promoting networking and partnership between the central state and the sub-national and sub-regional authorities. However, its position as a subnational actor is restricted by the fact that regional priorities are still defined by the central government.

The governance structure of public actors reveals the high centralization of the policy-making procedures regarding the ROP Lisbon. The main actors constitute central state institutions, while the CCDR is a decentralized branch of the central government. This structure firmly proves the strong hierarchical structure and the limited participation of regional actors, since the latter are subject to top-down directives. This relation between the two tiers leaves very little autonomy regarding policy implementation<sup>92</sup>. The lack of regional and sub-regional mobilization is mainly due to the absence of autonomous regional authorities.

### *Private sector and expertise*

The research in the Region of Lisbon revealed a relatively increased number of non-state actors in the policy-network. Concerning the private sector, interviewees

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<sup>90</sup>Inter-municipal contracts of the NSRF 2007-2013 regard the regions of Centro, Alentejo and Norte

<sup>91</sup>Under the Portugal 2020 (NSRF 2014-2020), Inter-municipal contracts promoted by the Inter-municipal Communities and the Metropolitan Areas are implemented through Pacts for Territorial Development and Cohesion, anchored in the Integrated Territorial Development Strategies that cover the entire mainland Portugal (with the exception of Algarve).

<sup>92</sup> Interviewee 9

suggested that the participation of business associations has been increasingly improved compared to the previous programming period. Indeed, national business associations have participated in the Strategic Advisory Committee of the ROP Lisbon and they have been identified as the main non-state actors in the policy network. Nevertheless, as most of the responders pointed out, they are highly influenced by the central government and their participation aims in benefiting from investments.

National Municipalities Associations have also been identified as key actors in the policy network, mainly due to the centrality of the region. However, it has been mentioned that, their participation is not substantial and is based on their close relationship with the national government. Their interest relies in influencing policy implementation in order to benefit<sup>93</sup>.

Regarding the participation of private actors in the implementation of the ROP, all interviewees agreed that although national business associations are present, there is no substantial intervention. Their participation is based on lobbying and on the pursuit of their interests and there is no commitment to a common purpose or a long-term strategy<sup>94</sup>. In particular, it has been mentioned that the private sector's interest is not policy-making, but rather policy implementation as a means to benefit and gain privileges<sup>95</sup>.

Responders argued that Business associations maintain their national profile when engaged in the implementation of the ROP Lisbon, limiting their interests to sectoral issues and anticipating close relationships with the Ministries they are related to, with an eye to pursuing their own interests. Indeed, the participation of the entrepreneurial associations has been identified by all responders as a means to strengthen their position and influence policy implementation. Consequently, this attitude further strengthens the top-down approach and private sector associations fail to be considered as important players and key regional institutional actors.

In sum, participation of non-state actors in policy-making has been limited, but not insignificant. However, their involvement has been incremental and it is continuously improving. Expert involvement has also been increasingly promoted, although it has been limited at the central state and in national consultative

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<sup>93</sup> Interviewee 12

<sup>94</sup> Ibid.

<sup>95</sup> Interviewee 14

institutions. Specifically, the Economic and Social Council, which constitutes an advisory body at the national level, promotes the participation of a wide range of economic and social actors in decision-making processes in general and in economic and social policies. It has a large number of memberships, including representatives of the national Parliament and the local governments, trade unions, business and rural associations, universities, science and technology associations and other interest associations (Rodrigues & Madureira 2010, p. 263, Nanneti *et al.* 2004, p. 413). In addition, a large number of national specialists in development planning participate in the NSRF Observatory, as well as independent experts occupied with the evaluation of the Operational Programmes.

### *Civil society and NGOs*

Regarding the participation of civil society and/or NGOs, research in the region of Lisbon revealed that it is limited, if non-existent. The University of Lisbon participates in the ROP Monitoring Committee, but the role of the latter has been degraded during the last two programming periods and is rather recommendatory<sup>96</sup>. Even there, however, there is no substantial participation and its role is only passive. NGOs role is only consultative and they are far from being considered institutional actors<sup>97</sup>.

Civil society participation and cooperation with public authorities has been characterized as extremely difficult. However, it has been mentioned that local government is keener to engage with NGOs<sup>98</sup>. The relationship with NGOs and the regional authorities of Lisbon area has been described as rather problematic, since there has not been cultivated a cooperative culture. Although there has been some sort of partnership with the Municipalities -which are more willing to cooperate with civic organizations- in very specific projects, this is not the norm. Public authorities are not innovative at all and, as it was mentioned, they prefer to cooperate with institutions they can control<sup>99</sup>.

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<sup>96</sup> Interviewee 9

<sup>97</sup> Interviewee 8

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

### 6.3.5 Patterns of multi-level governance: adaptation or not?

As indicated previously, the Portuguese ROPs are elaborated and implemented at the national level and they are regionalized *a posteriori*. This means that they are designed in a top-down process, are not territorially specific and are carried out by central government authorities and not by regional and local institutional actors. Although a major actor, the CCDR constitutes a decentralized branch of the central state and therefore, it cannot be considered a substitute of regional autonomy. The very absence of administrative regions is a key explanation for the limited application of the principle of partnership and the limitations of a multi-level governance approach.

Fieldwork research revealed that the ROP Lisbon was originally designed to promote more European policies and the application of the principle of partnership has been high in the agenda of the NSRF 2007-2013. Particularly, as one of the interviewees remarked, the intention had been to create specific partnership-based policies for specific territories. Indeed, even though not present in the programming period studied, Lisbon has shown interesting progress in the creation of networks for territorial competitiveness and there have been some successful efforts of national-municipal cooperation. However, there is still a lack of understanding of what partnership is, indicating that there is no common purpose or shared long-term goals<sup>100</sup>.

Specifically, at the municipal level, formal ways of cooperation have been created through the Inter-municipal Communities, allowing more flexibility and promoting the municipalities' participation in policy-making and their interaction with the de-concentrated authorities of the central government. All responders suggested that the municipalities are the most relevant and active subnational actors in the ROP Lisbon after the central state's institutions, providing territorial plans and strategies through the Inter-municipal Communities. Indeed, there has been great progress made throughout the different programming periods, with the Inter-municipal Communities engaging in the implementation of the ROP programmes. The local tier is more organized in terms of technocracy and has a stronger impact

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<sup>100</sup> Interviewee 11

than in the past<sup>101</sup>. This has been regarded by interviewees as the only bottom-up process taking place at the administrative structure, which is nevertheless restricted in the municipalities' dependence upon the central government that has the final and overall approval.

Fieldwork research revealed no evidence for the formation of public-private partnerships, although there have been some signs of improvement at the national level. An example has been the POLIS programme, an urban development project, which aimed in supporting different types of urban dynamics at different scales, namely urban neighborhoods and networks of cities. According to an interviewee, the degree of public-private partnership in the specific project has been more than satisfying and it has been a strategic programmes that brought together a wide range of actors, including municipalities, development agencies, R&D centers, universities, business associations etc. Urban regeneration agencies were identified as major actors in the process, having a managerial role and control of the funds, thus promoting collaborations with local authorities for investment. In addition, the development of Partnerships for Urban Regeneration (PRU) enhanced coalitions between public and private organizations that jointly worked on developmental programmes. There has also been some sort of coalition-building among private local economic agencies and cultural/civic organizations, although not very successful. Nevertheless, since they are engaging to EU funded projects, these partnerships are subject to the central state's control<sup>102</sup>.

The qualitative research in the Region of Lisbon contributed to a deeper insight regarding the process of adaptation to the structures of EU Cohesion policy. Interviewees mentioned that communication between regional and local (or sub-regional) actors is limited and restricted in the implementation of the regional territorial plans (the PROTS mentioned previously) and the implementation of the Inter-municipal contracts. Even though Portugal has been experiencing with EU Structural Funds implementation for almost 30 years, the application of the partnership principle is low<sup>103</sup>. Portugal remains the EU member state with the most centralized governance structures and the central government holds the predominant role in the Cohesion policy policy-making. Civil society involvement in policy-

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<sup>101</sup>Interviewee 10

<sup>102</sup> Interviewee 12

<sup>103</sup> Ibid.

making has been limited. Interviewees identified the importance of trust in coalition-building and partnership formation, nonetheless they argued that it is absent and state-society relations remain problematic.

Summing up, regarding the formulation and implementation of the ROP Lisbon, the Ministry of Planning has been the main central actor. Within the region, policy-making follows an hierarchical structure, with the CCDR being identified as a crucial influential actor, but a de-concentrated authority of the central state. Compared to the previous programming periods, the participation of business associations in the implementation of the ROP Lisbon has been increasingly improving. However, as it has been argued by most interview participants, they keep their national profile in order to stay close to the ministries they relate to and pursue their interests, thus failing to be regarded as influential regional actors. Regional associations and NGOs are weak or non-existent and the central government dominates the policy-making area.

Finally, contract arrangements between the Municipal Communities and the MA of the ROP are considered a success and even though they are controlled by the central state, they provide opportunities for greater involvement of the local government in the policy-making structure. In Lisbon, the Inter-municipal Communities have shown great interest in the contract arrangements through the years, mainly due to their better position compared with those in other regions and also the personal ties with the Ministry. Undoubtedly, this local growing activism constitutes a sign of an incremental adaptation to the European multi-level system of governance. Nevertheless, the creation of a regional government tier remains a precondition for power redistribution that would enhance therefore civil society participation in the regional policy-making.

#### **6.4 Assessing the Quality of Government for institutional adjustment**

In the absence of a civic culture, it comes as no surprise that civic participation is extremely limited. Civil society and civic participation in Portugal is traditionally lower than in other European countries, due to the legacy of authoritarianism and the four decades under the paternalistic regime. The number of NGOs in Portugal is

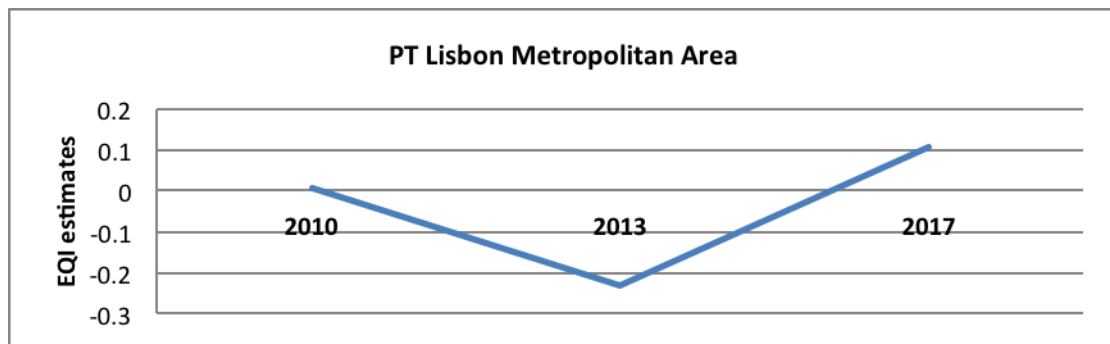
relatively low. This picture is even worse when it comes to NGOs focusing in regional development, since they are not represented in the Economic and Social Council. The structural aspects of the Portuguese civic culture are deeply rooted in the autocratic and corporative regime. Under the Salazar's regime, civic participation ought to be approved by the political police, thus limiting the number of civic or political associations and increasing the gap between state and society. The paternalistic culture has characterized the country even after the restoration of democracy. Moreover, the low level of education has also been mentioned as a factor having an adverse impact on the development of social capital in Portugal (Rodriguez & Madureira 2010, pp. 263-264).

### *Quality of Government*

As shown in Chapter four, Portugal has been demonstrating medium to high levels in all QoG measurements and the country has been performing really well in the World Bank Governance indicators, namely control of corruption, government effectiveness, rule of law, voice and accountability, political stability and regulatory quality.

Regarding regional performance in quality of government, the data collected from the European Quality of Government Index (EQI) –the same index that was used in the previous chapter for the Region of Attica- offer vital information for the level of institutional quality in the Region of Lisbon. It is reminded that based on the EQI, institutional quality is defined as a multi-dimensional concept that comprises the elements of high impartiality and quality of public services, along with low levels of corruption.

**Figure 6.3 Institutional quality in Lisbon Metropolitan Area (2010-2017) (EU average =0)**



Source: Charron N. *et al.*, (2019), own elaboration

According to the EQI and as presented above, institutional quality has been almost above the EU average in 2010, following a decline between 2010 and 2013, most probably due to the financial crisis in Portugal that marked that period. This decline, however, has been displaced by a significant rise in the years that followed and by 2017 the measurement of institutional quality in Lisbon has been incremental over time and well above the EU average. Thus, the Region of Lisbon appears to be in the same QoG cluster with many west european regions such as the Region of Wallone in Belgium, the Regions of Lorraine, Bourgogne and Franche-Comté in France, as well as the region of Eesti in Esthonia and Aragón in Spain.

The above picture has also been verified by the qualitative analysis. Most of the responders mentioned that, regarding the implementation of Cohesion policy in Portugal and in Lisbon in particular, corruption is not a relevant issue. Of course there are problems and signs of corruptive practices, but as one interviewee pointed out, after the financial crisis, the demand for greater transparency has increased. Undoubtedly, the role of the media and the advancing educational profile of the Portuguese people have pointed to this direction<sup>104</sup>.

Therefore, it is undoubtedly derived that the high ranking of Portugal in the quality of government accounts for the country's good adaptation capacity, namely its good performance in cohesion policy interventions and the effective use of the Structural Funds.

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<sup>104</sup> Interviewee 10

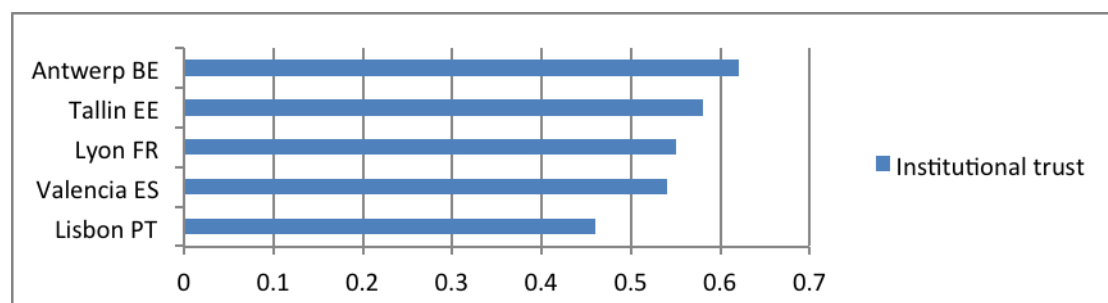


### *Institutional Trust*

Based on the above analysis, one would expect Lisbon to have a similar good performance in the levels of institutional trust. However, despite being in the same QoG cluster with many Belgian and Spanish regions and most of the French regions, the Region of Lisbon seems to differ from this affirmation in that there is a relatively low level of institutional trust despite the good performance in quality of government. In particular, according to the Eurobarometer study, trust in regional governance has decreased by 11% during the period from 2008 to 2013. Specifically, in 2013 only 32% of the Portuguese population showed trust in regional governance, with an EU average of 45% for the year 2013. Hence, regarding public trust in subnational authorities, Portugal falls within the group of south European countries along with Italy, Greece and Spain, which show the lowest levels of trust in regional governments.

Additionally, as data from the World Justice Project point out, in a range from 0 to 1, Lisbon scores just a bit over 0,46 in institutional trust, well below other cities within regions that fall within the same cluster with medium-to-well quality of government performance. Even though less than 25% believe that local officials are engaged in corrupt practices, over 55% of the population of the region expresses distrust in local authorities. In other words, even though local authorities in Lisbon are not regarded as being corrupt, the levels of institutional trust are relatively low. Interestingly, the Portuguese region of Norte scores higher in institutional trust (0,55) despite the lower performance in quality of government indicators.

**Figure 6.3 Level of institutional trust in EU cities with medium-to-well QoG performance (2015)**



Source: Joint Research Center, European Commission (2015)

Moreover, the low performance of Lisbon in institutional trust is considered fundamental for the low level of cooperation and partnership formation. Despite the lack of available data in the Region of Lisbon, fieldwork research focused on a qualitative evaluation of institutional trust regarding coalition building. In fact, responders' views converged on the limited coalition building, pointing the indicators of trust and the absence of a regional administrative tier as the main obstacles. With regard to the latter, the lack of a regional administrative tier has created a gap in state-society relations, which enhances the institutional distrust and inhibits coalition building and civil society participation in policy implementation. This argument has been especially salient among interviewees.

Research revealed that coalition building has been a major challenge for Lisbon (and Portugal at large). Interviewees pointed out the lack of trust and a cooperative culture as the crucial impediments for the formation of coalitions, alongside the absence of a long-term strategic development plan. Certainly, the opportunities given to the Inter-municipal Communities and the on-going success of the contract arrangements are a significant move towards multi-level governance. Nonetheless, they are considered to be an insufficient step towards the application of the principle partnership, since they do not promote the engagement of civil society, neither they permit a horizontal knowledge flow.

Furthermore, the economic crisis that occurred during the NSRF 2007-2013 revealed the difficulty in partnership in the implementation of structural policy is for a country lacking institutional trust and a cooperative culture. Evidence from fieldwork suggests that, despite the strong sense of consensus and compromise, which is deeply rooted in the Portuguese culture, regional authorities replicated the pre-existing government patterns. Despite the original purpose, coalition-building did not take place during this period, mainly because of the institutional distrust, a key element inhibiting the creation of partnerships<sup>105</sup>. The governance system is still considered to be paternalistic and creates a sense of inadequacy or stolidity in engaging with the national government, since it is considered to be sensitive to elites rather than citizens' interests.

All responders that participated in the fieldwork agreed upon the fact that a culture of cooperation is not cultivated in Portugal. Therefore, the low levels of

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<sup>105</sup> Interviewee 9

institutional trust seem to be partly responsible for the weak capacity in coalition-building and partnership formation, which constitute a prerequisite for institutional and policy change. The weakness in regional interest representation, the weak civil society and the historically high-centralized institutions have further contributed to this.

Overall, the European Cohesion policy -and European integration at large- have created great adaptational pressures and led to significant development in regional planning processes. The planning of the NSRF 2007-2013 was based on a better view of the target and on priorities established carefully in each area. In addition, the extensive institution building provided increased coordination among different actors and contributed to a better performance in policy implementation. The evidence from the research in the Region of Lisbon indicates a top-down process of adjustment and, despite the absence of a regional government tier, the ROP Lisbon has been successfully managed by the central government and with limited/or not at all civil society participation.

However, the governance structure remains highly centralized and the national government dominates all tiers of government. The core regional structure of Portugal has not undergone any considerable change and administrative regional governments are still not implemented. The relationship between the different government tiers has remained hierarchically structured and vertically driven. Lacking a strong civil society and a cooperative culture, Portugal is still lagging behind in the application of the principle of partnership. Regarding regional policy implementation, there is room for the enhancement of coalition building and partnership based policies. Indeed, findings so far point out that the on-going programming period (2014-2020) follows a more comprehensive and participatory approach and is very improved in terms of strategic approach and control, through enhancement in capacity-building, evaluation and public debate<sup>106</sup>.

What can be undoubtedly derived is that, pre-existing domestic features did not facilitate policy adjustment at the regional level. Following the new institutionalist approach, path dependency gives explanation of why institutions in politics do not change as expected. Thus, in the Region of Lisbon, despite the high levels of QoG indicators, institutional trust remains relatively low and is characterized by

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<sup>106</sup> Interviewee 14

“stickiness”. It is interesting though, that the above finding creates implications and poses a serious challenge to the institutional theory of trust about the interconnection between the institutional quality and quality of government and large on the one hand and social and institutional trust on the other.

## Conclusion

Given the country’s history of high centralization, the weak civil society and the consequent gap in state-society relations, Portugal has undergone extensive institution building over the years and adaptation and change have been inevitable. The implementation of the Structural Funds and the need to “catch up” with the other member-states has led to considerable improvement in capacity-building and the country has been successfully experiencing with new institutional approaches.

Evidence from fieldwork research in the Region of Lisbon suggests that, although highly centralized, institutional infrastructure has been efficient in implementing regional policy. Specifically, the comparatively medium to high performance of Lisbon in the quality of government accounts for the region’s increasing adaptation capacity and response to the Europeanization process. Awareness of the need to promote a more participative and multi-level governance structure has been also increasing during the past years. Yet, the institutionalization of administrative regions is still to be done, although the perception from fieldwork indicates that this does not appear to be realistic in the near future.

Doubtlessly, the region of Lisbon constitutes an interesting case, which, although demonstrating medium to high levels of QoG, at the same time the levels of institutional trust are relatively low. In this respect, the country is regarded as a case that not only is does not vindicate the institutional theory of trust, but could also present a challenge to it. A thorough comparison of the two case studies is expected to give answer to the key research question and validate or not the initial research hypotheses.

## Chapter 7

### Concluding remarks: Quality of Government and Adaptation within European Cohesion Policy

#### Introduction

The main objective of the research has been the elucidation of the factors that account for variation in the process of Europeanization and adaptation capacity. In order to provide an answer, the thesis attempted to shed light on critical aspects of domestic institutional infrastructure, namely the Quality of Government indicators and the institutional trust, which have been identified as crucial parameters of the administrative capacity of the nation states that count for adaptation at the domestic level of government. The main hypothesis of the thesis, as it has been established in the second Chapter, is that:

- a) The capacity of regional governments to adapt to the process of Europeanization is determined by the quality of government at the domestic level.

Two additional theoretical propositions have been derived from the above hypothesis:

- b) Low levels of QoG lead to low levels of institutional and policy adjustment and
- c) Low levels of QoG lead to low levels of institutional trust, thus limiting the participation of actors in policy-making procedures.

This final Chapter assesses the validity of the above hypotheses, by focusing on the most crucial findings of the case studies' research. It discusses the institutional adjustment and the evolution of the state structure in Greece and Portugal and provided evidence from the implementation in European Cohesion policy in two regions of the respective countries, Attica and Lisbon, within the theoretical framework of Quality of Government.

## 7.1 Domestic institutions and the Europeanization of policy-making structures

Greece and Portugal share considerable similarities with respect to the Europeanization process. Europeanization in the two countries has coincided with the transition from authoritarianism, while the transformation of the governance structures, through administrative reform and decentralization, has been related to the need to meet the policy environment of the European Community. In this respect, in both countries, Europeanization has been linked with democratic transition and modernization and has been considered as the independent variable that impacts upon the domestic institutional structures at both national and sub-national levels.

The institutional framework of European Cohesion Policy provides opportunities for extensive networking between supranational, national and subnational levels of government, by opening up the structural system to bottom-up approaches in policy-making. Taking under consideration the fact that the adaptation process occurs within the complexity of the multi-level governance structures of the EU, the degree of adaptational pressures facing domestic institutional and policy structures in order to comply with the EU requirements is essentially high in both countries. Chapter four showed that, although varying, Europeanization of cohesion policy has induced adaptation of the domestic institutional structures and administrative change has doubtlessly occurred. In Greece, sub-national mobilization has been relatively strongest than in Portugal. This is particularly due to the fact that Portugal still struggles with the issue of regionalization and despite the fact that adaptational pressures have been considerably high, yet the country has been confined to administrative reorganization and institution building at the central state level. Thus, although both countries have taken notable steps towards decentralization, these have rather been a legitimization of the policy-making structure.

Regardless the varying degree, it goes without saying that Europeanization constitutes a positive external shock for sub-national government structures. Bringing about opportunities for the development of regional and local institutional infrastructure, administrative restructuring, de-concentration and extensive institution-building at both the national and sub-national levels of government has been evident

in both countries. However, the responses of the two countries to this external shock have been akin to their pre-existing administrative and institutional capacity.

With regard to the programming period 2007-2013, in Greece a tendency to “sectorialization” of the programmes, along with a following centralization in the implementation of cohesion policy has been a key characteristic that differentiated the fourth programming period from the previous one. In plain words, a changing tune from the decentralization tendency of the 1980’s and the 1990’s to a re-centralization in the 2000’s has been observed, aiming among other things in tackling inefficiency, corruption and local clientelism (Paraskevopoulos 2012, pp. 23-24). The enhancement of re-centralization in Greece is also indicated by the fact that, as previously noted, the introduction of the NSRF 2007-2013 was not accompanied by any alterations in the institutional set-up. Its implementation has been principally the same as in CSF III (2000-2006).

On the other hand, Portugal has been engaged in a more responsive and effective policy-making culture and there has been extensive institution building at the national level, aiming in enhancing intergovernmental dialogue and inter-ministerial collaboration. Undoubtedly, the shift from a centralized and top-down policy-making to promoting contract arrangements and partnerships at the NUTS III level has been a demanding task for the country, given its long history in centralized decision-making practices and the absence of an elected regional tier of government. Hence, the governance structure of the NSRF 2007-2013 in Portugal has been characterized as decentralization under the central state’s control. Nevertheless, it is clear that, despite the highly centralized institutional arrangements between governmental levels, evidence suggests great consensus among institutional actors regarding the priorities and objectives of regional development policy that resulted in improved coordination among the different actors.

In order to explain the variation in adaptation capacity, the thesis used the QoG indicators that have been identified as possible determinants for policy adjustment and institutional change. Hence, according to the national scale data provided at Chapter four, Greece appears to be falling behind in institutional adaptation and policy adjustment, showing very low levels in all indicators of Quality of Government, as well as in institutional trust. On the other hand, Portugal comes into view as a surprising case, demonstrating medium to high levels of QoG, similarly to countries such as France and Belgium. At the same time, the country appears to be lagging

behind in institutional trust. This finding raised some sort of scepticism regarding the interrelation between Quality of Government and trust.

Quality of Government has been identified as a critical parameter for measuring policy adjustment and institutional change, functioning as the intervening variable accounting for variation in institutional and policy performance at large between the two countries studied. Indeed, aspects such as voice and accountability, government effectiveness, control of corruption, regulatory quality, rule of law and political stability, which are set as core components of the QoG, are closely related with the capacity of the state to adjust domestic institutional and policy structures to the evolving EU policy environment. However, the thesis adopted the assumption that despite their significance, national scale data do not cover the whole picture, since one should take into account the EU requirement for more active participation of regions - alongside the central governments- in EU Cohesion policy. Thus, despite the continuous reference to regions in the cohesion policy discourse and the role that regional government play in structural funds' implementation, regional differentiation in QoG remains a territory not fully mapped. In this respect, the research concentrates the attention to the quality of government of the regions of Attica and Lisbon and puts emphasis on the regional institutional characteristics that account for economic and social convergence and institutional adaptation at large.

## **7.2 Assessing the Quality of Government at the regional level: Variation in adaptation and policy adjustment**

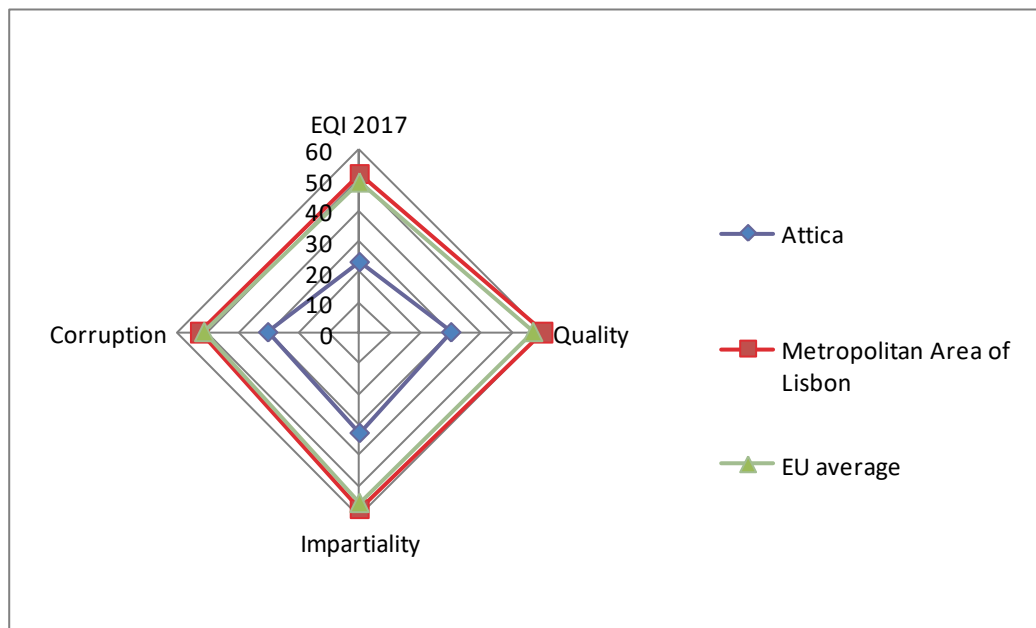
Notwithstanding the significant similarities with regard to the process of Europeanization, the comparative analysis of the two case studies has shown crucial differences and variation in respect to institutional and policy adaptation. As seen throughout the thesis, quality of government is closely connected with the administrative system of the state and the social and economic development of a country. Serving as the administrative mechanism of the state, public administrative institutions that participate in certain stages of the public policy-making are responsible for effectively implement and deliver regional policy. Thus, the capacity of the later depends highly on the quality of government: the higher the quality of government, the better the implementation of public policy and vice versa.



Regarding regional differentiation, analysis showed significant variation in the quality of government which reflects the way in which national regulations are implemented in the two regions and differences in the efficiency of regional and local authorities in this respect. These differences are important to be taken into account when assessing the quality of governance in relation to economic and social development. The regional European quality of governance index (EQI), constructed by the Quality of Government Institute of the University of Gothenburg, which measures people’s perceptions of this in different policy areas, enabled this to be done.

The impact was assessed on the basis of both quantitative and qualitative data. Figure 7.1 presents an alternative view of the quality of government, with regard to the Regions of Attica and Lisbon, based on the data from the EQI. The results of the 2017 survey, which are much the same as for 2013, indicate that improvements in government may take time. Indeed, for them to occur is likely to require concerted efforts at all levels of the administration as well as the active involvement of the public at large. The index confirms the great variation in QoG between the two regions under study.

**Figure 7.1 Dimensions of EQI in Attica and the Metropolitan Area of Lisbon (2017)**



Source: Charron *et al.* (2019), own elaboration

According to the data, the Region of Attica scores extremely low, lagging behind in all three dimensions and especially corruption, showing a negative performance that is well below the EU average. This bad performance of the region in quality of government is reflected in the weakness in implementation and policy adjustment. In particular, although it is unquestionable that the ROP Attica has been characterized by many success stories, its policy design has not been in close alignment with the Lisbon targets and the Europe 2020 objectives. Emphasis on R&D expenditure, human resources, sustainability and social inclusion has been rather poor and despite the fact that there was some move forward between 2011 and 2015, the pace of progress is not considered adequate to achieve the Europe 2020 targets by the end of 2020. Overall, research in the region of Attica has shown that the low level of quality of government affected the impact of Cohesion Policy both directly and indirectly. The weakness in capacity to design and implement cohesion policy programmes resulted in failure to achieve the policy objectives. In addition, evaluation reports and qualitative research indicate that its implementation has not been efficient in terms of policy innovation. Moreover, the absorption capacity has been relatively weak and the region found difficulties in investing all the available funding. Thus, Attica appears to be stuck in a low-administrative quality, low-growth trap.

On the other hand, the Region of Lisbon appears almost above the EU average in all three EQI dimensions, showing a rather excellent performance. The high regional performance in the quality of government accounts for the better administrative capacity and for the better policy adjustment in comparison with Attica. Evidence for the presence of policy adjustment is illustrated in the orientation of the Structural Funds, as well as in introduction of more innovative policies. Particularly, conclusions from the evaluation of the ROP Lisbon suggest relatively high levels of absorption of funding, which by 2014 was almost 85%. Additionally, the programme's performance has been in accordance with the Lisbon and Gothenburg strategies, which gave emphasis on innovation and sustainability and extended the policy objectives to reducing poverty and social exclusion. Further on this, the region's performance regarding the Europe 2020 targets has been significantly high in the areas of R&D investment, competitiveness and innovation, energy efficiency and social inclusion.

Hence, the ROP Lisbon was driven by a more appropriate and coherent strategy and better quality projects being selected for funding, which is indicative for the fact

that better performance in quality of government is correlated with better growth outcomes.

The results of the analysis of the two case studies point out to the role of quality of government as a strong variable in determining the policy outcomes of Cohesion policy. Having a higher level of quality of government, the Region of Lisbon showed greater capability in implementing the use of structural funds effectively and at the same time scoring high regarding the Europe 2020 targets. On the other hand, the disappointing levels of Attica in quality of government have rendered the region's performance in meeting the Europe 2020 objectives problematic.

It has also been derived that in the region of Attica, the administrative structure is process-oriented and the focus is mainly on input legitimacy so as to be held accountable. Contrastingly, although highly centralized, the administrative structure of the ROP Lisbon places emphasis on output legitimacy, namely efficiency and effectiveness in policy implementation.

The comparative analysis of the two regions provides solid evidence in favour of the main research hypothesis, that institutional adaptation is directly conditioned by the level of quality of government. Thus, it is suggested that improvement in quality of government is a precondition for European regions to develop their developmental potential.

With regard to the degree of coalition building, the data collected from the World Justice Project and presented in chapters 5 and 6 have shown that both regions exhibit very low levels of institutional trust. In addition, both regions present a poor background in social engagement. This has created serious implications for the low level of coalition building that has been remarked in both case studies, which has been persistently weak. The cooperative or associational culture and cooperative tradition that can be found in other European regions, has been lacked in both Attica and Lisbon, while at the same time institutional distrust and the absence of a common long-term strategy have been identified as the main reasons for the absence of coalition-building in regional development policy.

In the region of Attica, the low levels of institutional trust are also reflected to the high centralized policy network of the ROP. The overall programming, structure and administration of the ROP Attica, remains predominantly under the control of the Ministry of Economy, with the ROP Managing Authority complementing the process, while relevant national Ministries were also involved in policy implementation on

issues that fell under their jurisdiction, promoting a trend towards greater centralization. Thus, the Region of Attica (as all Greek NUTS II regions) has not been responsible for planning and administering their specific operational programme and the fact that the Managing Authority is under the leadership of the Ministry of the Economy, further weakens the institutional capacity of the region. Furthermore, the participation of economic and social partners has been relatively weak and public-private partnerships have been marginal. Thus, although Greece is enduring incremental Europeanization of its institutional and administrative structures, institutional adaptation in the region of Attica can be characterized as formal and not substantial.

Similarly, the administration of the ROP Lisbon has also been extremely centralized. The most crucial actors of the policy-making processes are the Ministry of Regional Planning, through the Directorate General for Regional Development, the Agency for Development and Cohesion, and the CCDR at the regional level which fall under the jurisdiction of the Ministry of Regional Planning. Other ministries are also involved in the processes depending on the programme focus. The participation of sub-national and non-state actors is also evident in the planning and implementation processes, but partnership is not regarded as strong. The Lisbon Metropolitan Authority appears incrementally active and inter-municipal arrangements are undoubtedly a success story in the region. Nevertheless, the inter-municipal associations are basically regarded as beneficiaries rather than policy-makers. Much of the emphasis on partnership is focused mainly on the relationships among the ministries and central authorities and not between the central government and other actors, be it sub-national or non-state.

To sum up, there has been no adaptation with regard to the dynamism of power relations, neither in Attica nor in Lisbon. Although regional development projects are being implemented at the sub-national level, they are subject to the approval and financial constraints of the central government. As the responsibility of the absorption of the funds relies on the central state, subnational participation and the application of the partnership principle seems principally condemned.

Thus, despite the fact that Cohesion policy has powerfully affected the institutional structure by encouraging decentralization and the promotion of multi-level governance, the policy networks in both regions maintain their hierarchical structure and coalition building has been marginal. In other words, although the

implementation of European Cohesion policy has led to more pluralistic processes in both cases, there has not been any significant redistribution of policy control. The centralized and state-dominated approach to the administration and management of the ROPs has been maintained.

Hence, the low levels of institutional trust in the two regions have undoubtedly undermined the participation of experts and civil society in policy-making structures and restricted coalition building, which is a prerequisite for adaptation and institutional change. Indeed, institutional distrust in the two regions has inhibited cooperation and compromise between actors and resulted in the limited presence of different stakeholders. Hence, the case of Attica vindicates the hypothesis of the thesis, according to which low quality of government indirectly affects the level of institutional trust, thus leading to limited participation of actors in policy-making procedures. In this respect, they inhibit coalition formation and common sources of the “instrumental beliefs”, which limit the level uncertainty of institutional reforms, and are considered crucial impediments for domestic institutional adaptation. On the other hand, even though the low levels of institutional trust have led to limited coalition-building, the case of Lisbon constitutes a challenge for the institutional theory of trust and raises doubt about the link between quality of government and institutional trust, since evidence suggests that high quality of government does not necessarily lead to increase in civic engagement and participation in policy-making procedures.

What is derived from the above analysis is that in both regions the partnership principle has been applied in accordance with the EU requirements rather than the spirit. A more accurate description of the process could be consultation rather than partnership. Indeed, in both cases studies the central government consulted various domestic actors regarding the development of the ROPs, although this process was strongly steered by central ministries. Yet, this process in itself can be characterized as progress compared with previous institutional arrangements.

Summing up, it is worth mentioning that the comparative assessment of the cases of Attica and Lisbon show that differentiation in regional performance is the outcome of formal but mainly informal institutions that prevail in the regions, now and historically. Subnational authorities depend on the central state for resources and information and non-state actors lack the experience and the resources to act as crucial and meaningful partners. Even though European institutions provide an

important opportunity for opening up the structures to regional and local authorities, non-state actors and experts, the gate-keeping role of the central state and the exclusion of subnational authorities and actors representing economic and/or societal interests inhibit partnership as the model of multi-level governance requires. Hence, the evidence provided by this research supports the burgeoning literature of QoG that the regional institutional dimension ought to be an integral part when assessing institutional and policy adjustment and that improvements in administrative capacity government effectiveness as well as in measures tackling corruption and improving transparency are important in the effectiveness or regional development strategies.

Overall, by mapping the differences in the perceived levels of quality of government the empirical evidence supports the assumption that regions with low QoG in the will not be able to implement cohesion policy in an efficient and effective manner, remaining trapped in a low growth and low QoG equilibrium. Institutional quality -and institutions at large- has a key role in regional economic and social growth. Although measuring institutions constitutes a difficult endeavor or even a venture, it is undeniable that many European regions which are falling behind have relatively poorer institutional structures, both formal and informal, other more developed ones. Hence, low levels of QoG, and weak institutions in general, constitute an impediment to regional development by negatively affecting economic and social growth factors as well as the institutional capacity to adapt to multi-level governance. Within this framework, the empirical evidence provided in the thesis vindicates the core research hypothesis that the capacity of regional governments to adapt to the process of Europeanization is determined by the quality of government at the domestic level.

### **7.3 Europeanization, Quality of Government and institutional adaptation**

Europeanization and the EU multi-level system of governance have long been taken as a good reference point for explaining institutional adaptation and change. As a challenge to domestic institutional structures, they are conceived as a fundamental challenge to pre-existing institutional arrangements, as they pave the way for institutional restructuring, especially in nations and regions with weak institutional

infrastructure. It goes without saying, however, that although considered critical processes for policy and institutional adaptation, the pre-existing characteristics of the institutional infrastructure, both at national and sub-national level, are crucial determinants for the level of adaptation.

The thesis attempted to address those characteristics of regional governments that actually matter. A suitable institutional framework is of significant importance regarding the creation of partnerships and the improvement in implementation and effectiveness of European Cohesion policy. On the other hand, there has been strong evidence to suggest that formal institutions at the sub-national level are affected by informal institutions, which have been historically shaped within a path dependent manner and are characterized by “stickiness”. Following the new institutionalist approach the research gave emphasis to both formal and informal institutions for the evaluation of the degree of institutional adaptation and change, within the multi-level governance of EU Cohesion policy.

The comparison of the two case studies highlighted the importance of Quality of Government for economic and social development and the fact that low QoG presents a significant obstacle to development. In particular, both the quantitative and qualitative data which have been presented throughout the thesis illustrated that Quality of Government crucially affects economic growth, regional competitiveness and cohesion policy in general, by undermining the regional potential for policy innovation. Therefore, rather than increasing the amount of funding, improving the level of QoG is proven essential for Cohesion Policy to have its full impact and constitutes a fundamental precondition for regional authorities to develop long-term strategies, allocate resources efficiently and achieve a successful implementation of the Structural Funds. Moreover, the low level of institutional trust in both case studies has been identified as crucial parameter that inhibited the capacity for institution building, thus hindering institutional change and adaptation to a multi-level system of governance.

Nonetheless, it is important to reaffirm that, as the thesis’ evidence points out, QoG does not necessarily go hand in hand with trust. Interestingly, this finding creates implications and poses a challenge to the institutional theory of trust about the interconnection between the institutional quality and quality of government at large on the one hand and social and institutional trust on the other. Hence, high levels of institutional quality do not indicate high levels of trust between institutions and the

public. In other words, improvement in quality of government does not necessarily facilitate building trust between government authorities and the general public. Certainly, the purpose of the thesis is not to contradict the correlation between QoG and social and institutional trust. The fact that corruption and lack of impartiality erode people' trust is an unchallengeable assumption. What is suggested though is that measuring trust remains a complex process, moving beyond the level of QoG. In the absence of comprehensive regional scale data, measuring institutional (and social) trust constitutes a further obstacle to the evaluation of the trust indicator. In this respect, taking into account the importance of trust in promoting economic and social convergence within the EU, the thesis aims to draw greater attention to the identification of the mechanisms that could capture trust in a more comprehensive way.

In a nutshell, the results of the comparative analysis enhance the growing importance of the Quality of Government both as a direct moderator of regional economic and social development, as well as a determinant of institutional and policy adaptation. Therefore, Quality of Government provides an innovative theoretical framework for explaining the differentiated responses to the process of Europeanization and accounting for variation in institutional adaptation within the EU multi-level system of governance. In recent academic literature as well in the European dialogue regarding the reform of Cohesion policy, Quality of Government has been developing as a powerful conceptual tool that enables the identification of similarities and differences among regions regarding the achievement of policy objectives and consequently convergence or divergence within the EU. Within this framework, whilst the dearth of regional comprehensive data rendered the empirical section admittedly modest, the thesis offers a worthwhile contribution to the rapidly growing academic debate on the extent to which institutional quality and Quality of Government in particular affects the level of institutional adaptation. Moreover, given that Quality of Government has only recently emerged in international literature as a tool for various areas of governance and public policy, its application in the context of Europeanization and specifically in a comparative analysis of subnational governments of two member states, undoubtedly contributes to the originality of the thesis.

Overall, Europeanization does not constitute a unique or linear process, neither exists a pan-European pattern that could be adjusted to all national and regional



structures. It is a process that leads to incremental change fostering European integration, which is translated in trends of convergence and/or divergence, depending on the differentiated outcomes regarding institutional and policy adaptation. By accounting for this variation, Quality of Government provides the institutional framework for explaining the different trajectories regarding institutional and policy adaptation. In a context of a rapidly changing environment and institutional challenges such as globalisation, Europeanization, social inequality and demographic change, by determining governments' capacity to implement policies successfully, Quality of Government is evolving as an appropriate conceptual tool that needs to be embedded in the convergence/divergence debate and also taken into account when assessing EU policies and policy-making.

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### **Literature in Greek**

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## Appendixes

### 1. List of Interviewees

#### **Region of Attica**

Interviewee 1: Head of the Managing Authority of Regional Operational Programmes of NSRF 2007-2013, Ministry of Economy, Competitiveness and Shipping (November 25, 2019 / location: personal business space of the interviewee, Athens)

Interviewee 2: Regional Governor of Attica 2010-2014 (November 27, 2019 / location: Decentralized Administration of the Region of Attica, Athens)

Interviewee 3: former official of the Intermediate Managing Authority of the Regional Operational Programme “Attica” 2007-2013 (January 15, 2020 / location: independent outer space, Athens)

Interviewee 4: former employee of the Coordination Service for the implementation of the Regional Operational Programmes, Ministry of Economy (January 16, 2020 / location: independent outer space, Athens)

Interviewee 5: President of KEDE (Central Union of Greek Municipalities) (March 11, 2020 / location: City Hall of Trikala, Thessaly)

Interviewee 6: official of the Regional Development Fund of the Region of Attica (March 13, 2020 / Skype call)

Interviewee 7: Head of the Intermediate Managing Authority of the Regional Operational Programme “Attica” 2014-2020” (March 23, 2020 / phone call)

## **Region of Lisbon**

Interviewee 8: Executive Director of Transparency International in Portugal (November 19, 2018 / location: Office of Transparency International in Portugal, Lisbon)

Interviewee 9: researcher in Europeanization and Spatial Planning at the Institute of Social Sciences of the University of Lisbon (November 20, 2018 / location: ICS, University of Lisbon, Lisbon)

Interviewee 10: senior advisor at the Ministry of Finance and former OECD expert (November 21, 2018 / location: Ministry of Finance, Lisbon)

Interviewee 11: former employee of the Lisbon Metropolitan Area Authority (November 21, 2018 / location: independent outer space, Lisbon)

Interviewee 12: Professor of Local and Regional Planning, at the Institute of Geography and Spatial Planning at the University of Lisbon and Director of the Centre of Geographical Studies, Lisbon (November 23, 2018 / location: IGOT, University of Lisbon, Lisbon)

Interviewee 13: former researcher at the Centre of Regional and Urban Development Studies, Lisbon (November 4, 2019 / Skype call)

Interviewee 14: vice-President of the Agency for Development and Cohesion and former Deputy Coordinator of the NSRF Observatory (January 22, 2020 / Skype call)

## 2. Sample of Research Interview Questions

### **Part 1: General activities/goals of the department/agency:**

1. Could you describe briefly the main activities of your department
2. Regarding the department's development activities, could you give me an approximate percentage of the activities devoted to programmes funded by EU Cohesion Policy?

### **Part 2: European Cohesion Policy / ROPs 2007-2013**

3. Has your department taken part in the planning and implementation process of the ROP Attica/Lisbon 2007-2013 or before?
4. Has your department participated in any Monitoring Committees of the ROP 2007-2013?
5. If yes, how would you rate your participation? **a. active, b. rather active, c. rather passive, d. passive**

### **Part 3: Regional Networks / Partnerships /Coalitions**

6. Could you tell me which Public Authorities have taken part in the planning and implementation process of the ROP Attica/Lisbon 2007-2013?
7. Who would you indicate as the major/most influential public actor in the planning and implementation process of the ROP 2007-2013 (Managing Authority, Ministries, other..)?
8. Could you tell me if there were any private actors (NGOs, trade unions, universities, educational institutes, voluntary associations, private experts, etc.) involved in the planning and implementation process of the ROP 2007-2013? If yes, could you name them?
9. How would you describe the role of the private actors involved in the process (managerial, advisory, etc.)

10. Out of all the private actors involved in the planning and implementation of the ROP 2007-2013, which one (or which ones) would you rate as most influential/active?

11. Does your department have any contacts and/or cooperation with any of the actors you mentioned (public/private)?

12. Could you briefly explain the purpose of these contacts and the main areas of cooperation (if any)?

13. Based on your experience, were there any obstacles when engaging with Public Authorities in the planning and implementation of the ROP 2007-2013? If yes, could you please specify?

14. Similarly, were there any obstacles in cooperating with non-governmental/private actors in the planning and implementation of POR 2007-2013?

15. Based on your experience, how would you rate the degree of the application of the *partnership principle* in the implementation of the ROP 2007-2013? (high – low)

16. In your opinion, would you say that this degree of partnership has improved compared to the previous CSFs?

#### **Part 4: Intergovernmental Relations**

17. Does your department have regular and routine contacts with any of the central government departments? If yes, could you specify the nature of these contacts?

18. What percentage of these contacts concerns issues related to the EU Cohesion Policy?

#### **Part 5: Quality of Government / Trust**

19. In general, how would you assess the impact of quality of government (corruption, government effectiveness etc.) on the level of local institutional capacity

and the way in which local development strategies are planned and implemented? **a. indispensable, b. necessary, c. not so important**

20. How would you assess the quality of government in the implementation and delivery of the ROP 2007-2013?

21. I will give you a definition of corruption: “*the misuse of public/private power position for private/political interests/goals*”. Based on this definition, would you say that corruption is prevalent in the planning and implementation process of the ROP 2007-2013? If yes, in which ways?

22. How would you rate the actors/institutions engaged in the planning and implementation process of the ROP 2007-2013 in terms of efficiency and impartiality?

23. How would you assess the importance of trust in the formation of partnerships among actors? **a. indispensable, b. necessary, c. not so important**

24. Based on your experience, what is your evaluation of the degree to which citizens participate actively in voluntary associations? **a. satisfactory, b. less satisfactory, c. non satisfactory**

25. Based on your experience, what is your estimation of the degree to which one can trust elected politicians? **a. one can certainly trust, b. one may trust but there are some exceptions, c. one may not trust, even there are some exceptions, d. one can certainly not trust**

26. Based on your experience, what is your estimation of the degree to which one can trust elected local authorities and regional authorities? **a. one can certainly trust, b. one may trust but there are some exceptions, c. one may not trust, even there are some exceptions, d. one can certainly not trust**

#### **Part 6: Overall assessment:**

27. Could you briefly describe the overall effects of the ROP and the NSRF 2007-2013 in your region in general?

28. How would you estimate the degree to which they met the local needs?

29. In your opinion, what are the major obstacles for the exploitation of the opportunities EU Structural Funds present for the development of the region?



30. In your opinion, what still needs to be done regarding the application of the *partnership principle* in the planning and implementation processes of the following ROPs?

31. Based on your experience, what, in your opinion would better describe politics and partnerships, regarding the NSRF and the POR 2007-2013: “honesty” or “corruption”?

