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**Regional Policy in Greece  
Sectoral Case Study  
The Operational Programme "Competitiveness"**

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**Regional Policy in Greece**

**Sectoral Case Study**

**The Operational Programme “Competitiveness”**

**Draft version**

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# 1. Introduction

Before trying to analyse the impact of any particular Greek OP upon Greek policies, politics and polity, one has to take into account the main conclusion of the preceding study on the implementation of regional policy in Greece: it is still too early to evaluate the real significance of recent developments because the legacy of the past is very strong and because the commitment of the most powerful Greek actors to the spirit of the policy reform is still doubtful. In this respect, three points are worth stressing:

- Firstly, during the negotiation of the CSF, and despite the pressure of the European Commission, the Greek government did not alter the managing system in a radical way: the Ministry of Economy (ME) retains its coordinating role and the new managing institutions are placed under the authority of the Ministries and the Regional Secretariats<sup>1</sup>.
- Secondly, while the establishment of the new managing authorities (MAs) and procedures does represent an important novelty, it is far from certain that the new institutions will overcome the ubiquitous political pressures and patronage and that they will manage to diffuse the new ideas and practices on the wider body of public administration.
- Thirdly, given the fragmentation and unequal performance of the Greek political and administrative system, it is to be expected that the outcome of reform will differ greatly across different OPs.

This object of this paper is to monitor the design and the implementation of a particular sectoral programme of the third Greek Community Support Framework, namely the Operational Programme “Competitiveness” (OP COM). This particular program was selected because of its importance in financial, political and policy terms. More precisely:

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<sup>1</sup> According to various officials, the organisation of the new managing authorities was the single most important issue in the course of the CSF negotiations. The Commission promoted the idea of an independent managing system under the control of the Management Organisation Unit (MOD), while the Greece insisted that the new MAs should form part of the public administration and that the ME services should keep their co-ordinating role. One official went on saying that, during the final top-level meeting between Commissioner Barnier and the Greek PM, the Greek side prevailed after having accepted that the national budget would cover the functional costs of the Greek MAs.

- Among the 24 programmes of the current Greek CSF, the OP COM comes second in terms of total expenditure (only the OP “Roads, Ports and Urban Development” has a bigger budget).
- The task of the OP COM is of utmost importance for the Greek economy<sup>2</sup>. Moreover, this OP falls under the competence of the Ministry of Development, a “super-Ministry” created in 1996<sup>3</sup> through the amalgamation of the Ministry of Industry, Energy and Technology, the Ministry of Commerce and the Ministry of Tourism. It is hard to exaggerate the economic and political significance of the mission undertaken by the Ministry in question<sup>4</sup>.
- On the other hand, in the organisational field, the Ministry amounts to little more than an accumulation of quasi-autonomous departments<sup>5</sup>, each of which develops and pursues its own policies taking little account of what’s happening beyond its domain. Given this lack of internal cohesion, the OP COM represents the first genuine attempt of the various Ministry services<sup>6</sup> to jointly elaborate and develop a set of common initiatives under a – theoretically- coherent institutional framework.

To sum up, studying the design and the implementation of the OP COM presents three distinct advantages. First, it offers the opportunity to trace the impact of a programming initiative on a dynamic and evolving policy field that is closely related to the core of the European integration

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<sup>2</sup> See the next section.

<sup>3</sup> Presidential Degree 27/96.

<sup>4</sup> Generally speaking, the Ministry of Development is responsible for: i) the development of policy for the energy sector and exploitation of mineral resources and the supervision of all bodies concerned with energy and minerals in Greece, ii) the development of tourism policy and the supervision, support and coordination of the relevant public bodies, iii) the development and implementation of national policy for scientific research and technology, iv) the implementation of government policy for industry, planning and supervision of industrial activity in the public sector, as well as the promotion and encouragement of industrial activity in the private sector, v) the implementation of policy in the area of quality in industrial production and supervision of entities active in the industrial sector, vi) the development and implementation of government policy in the sectors of commerce and consumer affairs, vii) guaranteeing the solvency of insurance companies and the insurance products provided by them, viii) the drafting of policy on corporations (S.A.) and ix) the control and registration of Greek and European trademarks and the administration of the Trademark Court (commercial and industrial ownership).

<sup>5</sup> These are General Secretariat of Industry, the General Secretariat of Development (responsible for energy issues), the General Secretariat of Commerce, the General Secretariat for Research and Technology, the General Secretariat of Consumer Affairs and the General Secretariat of Tourism. Due to the legacy of the past and the lack of internal coordination mechanisms, these departments differ markedly in terms of policy style, quality of human resources, policy capabilities and independence vis-à-vis their political superiors (the Minister, the three vice-Ministers and their advisers).

<sup>6</sup> Nevertheless, it should be noted that the General Secretariat of Consumer Affairs is not involved in the Programme at all and that the General Secretariat of Commerce hardly plays a role.

project and is crucial for the economic performance of the member states. Second, it allows examining the impact of coordination on previously autonomous government institutions and offers a yardstick for comparing their respective performances. Third, it adds an extra dimension in the study of the new institutional framework set up in the current programming period, because, in this particular case, the new Managing Authority not only has to apply successfully the new implementation methods but also has to harmonise various hitherto distinct funding and implementing practices.

## **2. An overview of the OP Competitiveness**

### **I. The policy dimension**

Following Greece's accession to EMU, the Greek government is repeatedly stressing that the country's primary strategic objective is to converge with other European countries in terms of competitiveness. Given the special characteristics of the Greek economy, the recent economic and technological developments and the openness of the present economic environment, the long-term goal of the relevant (fiscal and regulatory) policies is to bring about convergence not only in the quantitative/ nominal dimension of competitiveness -i.e. to improve the cost/price ratio of the goods and services provided-, but also to improve the qualitative characteristics of the goods and services produced by boosting design improvements and innovation, by encouraging the adaptability of Greek economic agents to changing indications of demand, by promoting the production and diffusion of specialised knowledge, inventiveness and originality, and by making the most of the opportunities offered by the new technologies. Moreover, it is being argued, this strategy is going to bear fruit because, in contrast to the past, it is pursued through integrated programming, namely by adopting and implementing an overall policy mix covering three distinct but interrelated pillars: innovation and technological upgrading, business initiative, and employment.

At first glance, the design of the OP COM is tailored to the above-mentioned strategy. Indeed, the OP represents a first attempt to integrate the programming and funding of development initiatives in four different policy sectors –industry and business, research and technology, tourism and energy. Moreover, regarding implementation”, the need to ensure cohesion, synergy and effective co-ordination of the programme with other operational programmes (in particular those relating to the Information Society and those implemented by the Ministries of Labour and of Education) is taken into account.

On the other hand, the OP COM sets a series of special objectives for each of these sectors:

- the restructuring and reinforcement of the processing and services sector;

- the creation of new business activities and of new competitive advantages based on cohesive technical and economic networks;
- the maintenance of Greece's share of the international tourism market, the reorganisation and enrichment of the country's tourism advantages and, the creation of new advantages; and
- the improvement of the contribution of energy and natural resources to the competitiveness of Greek economy, while at the same time respecting the country's environmental commitments (Hellenic Republic 2000).

The total budget of the OP COM is approximately 6.392 billion euros. Public expenditure represents 50.38% of the total (3.217 billion euros), while private sector contributions are expected to cover the remaining 49.62% (3.175 billion euros). The EU Structural Funds are going to cover the 61.5% of total public expenditure and the 28.5% of the total budget (1.977 billion euros). The European Regional Development Fund (ERDF) has the lion's share of the Community financing (1.827 billion euros, or 92.4% of the participation of the structural Funds); the European Social Fund (ESF) is going to contribute just 150 million euros (7.6% of the Structural Fund participation). Finally, the Greek national budget will have to provide some 1.241 billion euros (38,5% of the public expenditure and 19,4% of the total budget).

The OP "COM" includes 9 Priority Axes comprising 37 Measures (see Figure 1). The nine axes are the following: 1) improving the business environment, 2) support and encouragement of business initiatives, 3) promotion of excellence in business activity, 4) technological innovation and research, 5) differentiation of the tourism product - promotion of Greece as a tourist destination, 6) securing the energy supply and promoting liberalisation of the energy market, 7) energy and sustainable development, 8) human resources and 9) technical aid.

Any detailed assessment of the OP COM lies beyond the scope of this paper. All the same, it has to be mentioned that even a cursory reading of its text gives raises doubts as to the degree of integration actually achieved in the planning dimension<sup>7</sup>. As the following section is going to

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<sup>7</sup> Out of the nine priority axes (see Figure 1), only one -Axis 3- involves measures addressing all four sectors. Furthermore, most of the OP's budget is directed to either the general secretaries that are in charge of a single policy sector or to institutions that are placed under the supervision of these general secretaries.

demonstrate, this discrepancy between rhetoric and reality must be attributed to the fact that the actual design of the OP -in terms of both policy objectives and implementation methods- was dictated less by the desire to introduce integrated planning and improve performance and more by the wish to balance the interests of the actors involved.

## **II. The politics of planning**

The OP COM is the successor of five different sectoral OPs running under the second CSF: OP “Industry and Services”, OP “Research and Technology”, OP “Tourism and Culture”<sup>8</sup>, OP “Energy” and OP “Natural Gas”. During the preparation of the Greek RDP, each of the departments responsible for the previous OPs -the General Secretariat of Industry, the General Secretariat of Research and Technology, the National Tourism Organization<sup>9</sup> and the General Secretariat of Development- prepared its own development plan, since the Greek government (and essentially the Minister of Development at that time) had no intention to change the functional division of labour of the second CSF<sup>10</sup>. However, the situation changed in 1999 when, at the initiative of Nikos Christodoulakis<sup>11</sup> -then Vice Minister of Finance-, it was decided that the four sectoral OPs would merge into the OP COM. For this reason, a Programming Committee was set up. This Committee consisted of representatives from all sectors and sought to integrate the pre-existing plans into a coherent conceptual and organisational framework. This was an extremely difficult task, bearing in mind the differences that existed in terms of planning approaches and experiences. This late attempt to homogenise the initial plans did not work out very well<sup>12</sup>; in essence, the OP is little more than the sum of four distinct sectoral programmes, and each General Secretariat remains focused on the implementation of its “own” share of

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<sup>8</sup> Following the integration of tourism in the OP COM, an OP dedicated exclusively to culture was created in the third CSF.

<sup>9</sup> The General Secretariat of Tourism was created in 2000.

<sup>10</sup> The Commission had suggested that the OPs on Industry and on Research and Technology should be merged, but Greece turned down that proposal (interview with an MA COM official). In the Concise Regional Development Plan issued in December 1998, Energy, Manufacturing and Services, Research and Technology and Tourism were presented as different sectors being subject to distinct development priorities (Hellenic Republic 1998).

<sup>11</sup> Nikos Christodoulakis had served as General Secretary of Research and Technology from 1993 to 1996 and later become economic advisor to the Prime Minister. Interestingly enough, after the 2000 elections he became Minister of Development.

<sup>12</sup> Interviews with MA COM officials.

measures.

The planning of the OP COM was completed after a process of consultation with the social partners, who were involved both in the phase of preparing the related Regional Development Plan and in its specification in detail at the level of the Operational Programme. This consultation took place either in the form of bipartite contacts, or in the form of open events and conferences, in major urban centres in Greece and in the Regions (Athens, Thessaloniki, Patras, Ioannina, Heraklion etc.). This was followed by a process of the submission of written proposals, which were taken into account in the final planning of the OP COM. Representatives of the social partners (Association of Greek Industry, General Confederation of Greek Workers, General Confederation of Greek Professional Craftsmen) also took part in the working groups preparing the Planning Supplement for the Programme. The process was completed by bipartite collaborations with the country's 13 Regional authorities, to ensure the best possible collaboration and the avoidance of overlap between the regional OPs and the OP COM (Hellenic Republic 2000). However, given the technical nature of the OP COM, the bureaucratic character of the programming procedures, the centralisation of the Greek political and administrative system and the lack of maturity of the Greek social partners, it is no surprise that the input of the latter was in fact very limited<sup>13</sup>.

Preliminary negotiations with the European Commission started in late 1999, but no commitments were made in view of the impending national elections. After the draft OP was officially submitted (March 2000) and, more importantly, after the Simitis government achieved its re-election (April 2000), negotiations started in earnest and were intensified in the summer and autumn of 2000 with a series of bilateral and multilateral meetings. The Commission gave at last its approval in March 2001 (Commission 2001); in spite of all the delays, the OP COM was the first Greek programme of the third CSF to be approved.

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<sup>13</sup> Almost all of the proposals of the economic and social partners were non-viable and/or were promoting the narrow financial interests of their constituencies (interview with a MA official).

### 3. The emerging cluster of policy networks

During the second CSF, the authorities that undertook the management of the various OPs were often carrying out the various measures and actions (to use the current terminology, they were both “managing authorities” and “ultimate beneficiaries”). Since the 1999 reforms, there is a clear division of responsibilities between the managing authorities –namely the bodies that promote and oversee the implementation of all measures of each OP- and the ultimate beneficiaries –that is the various public actors (or actors under public control) who take on the contractual obligation to implement one or more measures of the OP. In the OP COM, the identity of the potential ultimate beneficiaries was specified from the beginning; in essence, the implementing responsibilities were divided between the four General Secretariats a host of public or publicly controlled bodies that fall under their supervision<sup>14</sup>. Moreover, during the planning stage it was decided that *Intermediate Management Agencies* (IMAs) would be employed in order to manage most state aids in the fields of manufacturing, tourism and energy. Given this demarcation of competences, instead of speaking of a cohesive single policy network, it is more plausible refer to one all-inclusive network plus two levels of embedded sub-networks. More precisely:

- a) the top-level policy network is structured around the MA COM that is linked to all ultimate beneficiaries;
- b) each of the four second-level policy networks is focused on each of the four General Secretariats and involves the host of supervised bodies that participate in the management of particular measures or actions of the OP COM. Though embedded in the overarching policy network and closely interrelated with its “neighbours”, each of these sub-networks is differentiated from the others (and from the top-level network) due to the distinctiveness of the policy field it tackles and to its institutional autonomy; and

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<sup>14</sup> An information leaflet issued by the MA COM lists 29 “major ultimate beneficiaries”; among them figure the General Secretariat of Commerce (that has taken over the implementation of one small measure) and the Ministry of Economy (that is responsible for the implementation of some aid schemes). With the exception of these two institutions and a body supervised by the GS of Commerce, all the listed actors are either the four sectoral GSs themselves or bodies that fall under their supervision. Moreover, during the planning stage it was decided that *Intermediate Management Agencies* (IMAs) would be employed in order to manage most state aids in the fields of manufacturing, tourism and energy.

- c) eight third-level policy networks are developing around each of the eight IMAs and include all the aid schemes that are being implemented in different parts of the country -and, in the case of the IMA, in the whole of the country in the field of energy.

## **I. The overarching network**

During the second CSF, the General Secretariats of Industry, Research and Technology and Development were responsible for the management of the OPs “Industry and Services”, “Research and Technology” and “Energy” respectively. OP “Tourism and Culture”<sup>15</sup>, OP and OP “Natural Gas”. In the absence of any specialized government department in the field of tourism, the Greek National Tourism Organisation (GNTO) had assumed the management of the measures of the OP “Tourism and Culture” pertaining to tourism. Finally, the management of the OP “Natural Gas” was entrusted to the newly created Public Gas Corporation (PGC). Each of these bodies was assisted by a private company that acted formally as “Management Consultant” and more often than not widened its official mandate assuming extensive management responsibilities.

### ***The Managing Authority***

In current policy framework, all management competences are concentrated in the newly created Managing Authority of the OP COM (MA COM). The MA COM (referred to as “Administrative Authority” in the English version of the OP COM) has the status of a Special Department at the Ministry of Development established as a single administrative sector and headed by a Special Secretary, who also represents it in contacts with the Commission and the State (see Figure 2).

The MA COM is responsible for the application, effectiveness and regularity of the OP’s management and implementation. It has currently a staff of about 70 people<sup>16</sup> that was recruited in three ways:

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<sup>15</sup> Following the integration of tourism in the OP COM, an OP dedicated exclusively to culture was created in the third CSF.

<sup>16</sup> The MA COM is one of the biggest Greek MAs in terms of personnel; for the sake of comparison, each of the regional MAs is employing about 30 persons.

- a) with existing personnel of the Management Organisation Unit (MOD);
- b) by secondment of staff serving in the public or broader public sector, using assessment procedures by a committee mostly consisting of external experts, with the support of the Management Organisation Unit; and
- c) by the recruitment of new staff, usually via the MOD but also using procedures involving the Administrative Council of the OP, or by personnel recruited from graduates of the National School of Public Administration.

Formally, the internal organisation of the MA COM is identical to all Greek MAs. In practice, however, its structure was slightly modified for administrative reasons and also to better correspond to the particular needs of the OP COM. Thus, although the text of the OP stipulates that the MA COM consists of four units (Unit A: Planning and Appraisal, Unit B: Administration and Monitoring, Unit C: Audit and Unit D: Organisation and Support), the actual internal structure is a little more complicated: first, the Unit B is divided into three sub-units (B1: EGGF-1, B2: EGGF-2 and B3: ESF<sup>17</sup>); second, a small legal service was created; third, 13 of the MA's officials are relocated to the 13 regional MAs<sup>18</sup>.

The responsibilities of the MA COM are distributed between the four units as follows (Hellenic Republic 2000: 183-189):

Unit A (Planning and Appraisal) is responsible for drawing up and adapting the planning supplement in collaboration with the appropriate planning services and bodies, and for submitting it to the Monitoring Committee of the OP. It also works out and recommends the criteria for the inclusion of actions in the Measures of the OP. Moreover, it prepares the annual and final reports of the OP and sees that they are sent to the Monitoring Committee and the CSF Managing Authority (CSF MA), and forwarded to the Commission. In addition, it organises and monitors the intermediate appraisal of the OP in collaboration with the CSF MA. Furthermore, it monitors progress in the OP's implementation and co-operates with the CSF MA, the OP's

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<sup>17</sup> Unit B1 manages the measures under Axes 1, 4, 6 and 7; Unit B2 is responsible for Axes 2 and 5; Unit B3 is in charge of Axis 8. Axes 1-7 are funded by ERDF, while Axis 8 (human resources) is funded by the ESF (see also Figure 1).

<sup>18</sup> This organisational arrangement is described in the following pages.

Monitoring Committee and the European Commission, to provide them with any information requested in the context of implementing the OP. Besides, it sees to the application and, where necessary, the specialisation of the necessary instruments, models and specifications for the correct operation of the MA COM. Additionally, it organises and monitors the publicity of the OP in collaboration with the CSF MA. Finally, in collaboration with the other units, it is responsible for working on and raising various issues with the Monitoring Committee in the context of the latter's rules of procedure.

Unit 2 (Monitoring and Administration) has three main tasks. First, it ensures compliance with the procedures for including actions in the OP's measures, monitors the progress in their implementation<sup>19</sup> and elaborates any proposals for improvement. Second, it provides public services responsible for finance with particulars concerning progress in the implementation of actions. Finally, it proposes measures to support ultimate beneficiaries in complying with their obligations.

Unit 3 (Auditing) carries out all the necessary checks and audits, assesses their results, and recommends the adoption of appropriate measures to improve the management and audit system and measures to support ultimate beneficiaries in their compliance with their obligations. In addition, it draws up audit reports and sees that the conclusions of audits are recorded in the IIS and notified to the Payment Authority, the Financial Audit Committee and the ultimate beneficiary. Moreover, it checks the operations of the special service in relation to matters raised by the Payment Authority, the Financial Audit Committee and the auditing bodies of the European Union. Furthermore, when there are well-founded indications of the existence of irregularities, it ensures that an audit body is set up immediately, the audit is carried out, its conclusions published, and the procedure is completed as far as the final closure of the matter.

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<sup>19</sup> In that context: i) it updates the categories of ultimate beneficiaries envisaged in the planning supplement, also on the basis of instructions given by the CSF MA, ii) it collects checks, and assesses the proposals submitted, applying the criteria for the inclusion of actions in the OP's Measures, iv) it publishes of decisions to include actions in the OP's Measures, v) it collects and checks the particulars required for monitoring the implementation of the actions (monthly and three-monthly monitoring reports) submitted by the ultimate beneficiaries, and ensures that they are registered in the Integrated Information System (IIS), and vi) it monitors ultimate beneficiaries in relation to compliance with the obligations they have undertaken and the progress of the actions they are carrying out.

Unit 4 (Organisation and Support) is responsible for drawing up the programme of technical aid and support activities in collaboration with the other units, and supports their work in carrying out those activities after their approval. Furthermore, a) it organises and operates the OP COM's Integrated Information System office, b) it organises and maintains a library of tools, studies, information and essential aid for the needs of the MA COM in collaboration with the corresponding unit of the CSF MA, c) it runs an information office for the provision of direct information and guidelines to those interested in matters related to the OP, d) it deals with personnel management matters and e) it keeps the MA's protocol and archive, and provides general secretarial support to the other units and their staff.

Special mention must be made to the officials of the MA COM residing in the country's 13 regions. These administrators are entrusted with a complex mission. First, they are monitoring and supporting the implementation of the OP COM "on the ground". Second, they are promoting the OPs publicity, by organising various workshops and informing the potential recipients. Third, they are responsible for the establishment and the operation of some new institutions, like the "one-stop shop" Investor Reception Centres (IRCs) operating in the 52 prefectures of the country. Fourth, they are seeking to achieve synergy between the measures of the OP COM and the various financing measures that are running under the regional OPs<sup>20</sup>. Fifth, they are monitoring and assessing the performance of the eight Intermediate Management Agencies (IMAs) that are managing the 25% of the OP COM's budget<sup>21</sup>.

The MA COM constitutes the core of the policy network emanating from the implementation of the OP COM. Its very existence represents a very important novelty for the Greek standards and raises the hope that the diffusion of best practices to both the main body of the administration and to the private sector is inevitable. A part of the conclusions of this paper will be devoted to the evaluation of this assertion.

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<sup>20</sup> Despite the official rhetoric, it appears that the planning of the regional OPs took place without sufficient coordination with the various services of the Ministry of Development; thus, the unavoidable gaps and/or overlaps in terms of targeting must be corrected at the implementation stage.

<sup>21</sup> The task of these bodies is explained in the next section.

### *The Monitoring Committee*

Monitoring of the OP COM is the responsibility of the Monitoring Committee (MC COM), which was established shortly after of the Commission's decision to approve the OP. The MC COM comprises 39 members; 11 more persons take part in its meetings without right to vote. The MC Com is presided by the Special Secretary of the OP COM. Among the members with a right to vote are:

- the General Secretaries of the four main policy sectors (plus the General Secretary of Commerce and the President of the National Tourism Organisation);
- the director of the MA COM and the head of the Unit 1 of the MA COM;
- the Special Secretary of the Ministry of Economy responsible for the OP "Information Society";
- top-rank civil servants from the four General Secretariats and of the National Tourism Organisation;
- representatives from the CSF MA, the Paying Authority and the Financial Audit Department (all situated in the ministry of Economy);
- representatives from the Ministry of Economy, the Ministry of Labour, the Ministry of Environment, Physical Planning and Public Works, the Ministry of the Ministry of Home Affairs, Public Administration and Decentralization; and
- representatives from various social and economic partners, such as the Union of Greek Industries (SEV), the General Confederation of Workers (GSEE), the National Confederation of Greek Commerce, the Central Union of Chambers and the National Board for Tourism etc.

Among the 11 persons participating in the MC COM in an advisory capacity are representatives from the European Commission, -DG Regio (2 persons) and DG Employment-, a representative of the European Investment Bank and the heads of the Units B1, B2, B3 and D of the MA COM.

According to the text of the OP COM, the MC COM:

- confirms, adapts and, if necessary, amends the planning supplement (including the physical and financial indexes to be used in its monitoring);
- appraises developments and the progress made on a regular basis;
- examines and approve the annual and final implementation reports before they are forwarded to the Commission;
- examines and approves any proposal for amendment on the participation of the Structural Funds; and
- proposes to the MA any amendment of the programme that could contribute towards achieving the objectives of the OP or improving the management of the intervention, including its financial management.

The Monitoring Committee receives secretarial support from the MA COM.

The clarification of the MC's responsibilities, the extension of the partnership principle and the change in decision-making rules<sup>22</sup> were expected to enhance its role. However, available evidence is not very encouraging. Whereas, according to the initial plan, the MC was to convene every six months, in reality its meetings take place on a yearly basis and many of its decisions are taken by written procedure<sup>23</sup>. This practice surely minimises the beneficial effects of partnership and undermines the MC's importance as a collective body. Then again, given the size and the complexity of the OP COM, perhaps it would be unrealistic to expect that the MC could really provide effective guidance and leadership.

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<sup>22</sup> It should be reminded that the MC takes decisions by simple majority, with its president retaining the right of veto.

<sup>23</sup> Interview with an MA COM official.

## II. The second-level sub-networks

### *Industry and business*

The measures of the OP COM on business support are not of a novel character; broadly speaking, they are the leftovers of the OP Industry that was implemented during the second CSF. The OP Industry was really ambitious and innovative; it was conceived and elaborated during the tenure of K. Simitis -the incumbent Prime Minister- in the then independent Ministry of Industry. Simitis had initiated a process of brainstorming among the Ministry officials and selected Commission administrators; taking advantage of this process (and benefiting from international experience), the Ministry officials set up a network of horizontal measures consisting of both infrastructure support and the development of various financial tools. The actual performance of the OP was mixed, because the traditional administrators of the Ministry were not in a position to follow its logic and react accordingly. On the other hand, during the early phases of the second CSF, the vast majority of the Ministry services were reinforced with highly qualified personnel and were closely involved in the management of the OP Industry<sup>24</sup>. However, the “spring of Industry” was not continued after 1996, when the Ministry of Industry became part of the Ministry of Development; the situation deteriorated further with the establishment of the MA COM, which absorbed some of the best members of the General Secretariat of Industry.

The launching of the OP COM placed a great load of responsibilities on the GS of Industry<sup>25</sup>; at the same time, a new General Secretary was appointed and new staff was employed through the supervision of the Supreme Council for the Selection of Personnel (ASEP). The new General Secretary took over personally the implementation of the measures falling under the competence of the GS and has complete authority to distribute the relevant implementing responsibilities. Nevertheless, the GS is not the sole ultimate beneficiary for the actions pertaining to industry and business: at least 10 public bodies or corporations under public control (most of them supervised

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<sup>24</sup> It is no mere coincidence that Anna Dimantopoulou, presently Commissioner on Employment and Social Affairs, was General Secretary of Industry at that time.

<sup>25</sup> The GS of Industry is responsible for the vast majority of measures of Axis 1 and 2, representing 53% of the total budget of the OP COM (see Table 1).

by the GS of Industry) are entitled to implement one or more actions<sup>26</sup>, while, in certain cases, the GS of Industry has to share implementation responsibilities with the Ministry of Economy, the General Secretariat of Commerce, the Greek National Tourism Organisation and the Prefectural Authorities. Furthermore, as has already been mentioned, most aid schemes are managed by Intermediate Management Agencies (IMAs). It is being recognised that the GS of Industry is facing difficulties in performing its direct management tasks; moreover, the control it exercises over its “supervised organisations” is more nominal than real<sup>27</sup>.

### *Tourism*

The OP COM marks a shift of priorities in the tourism sector. Whereas the second CSF put emphasis on the creation of new infrastructure and the promotion of alternative forms of tourism, the new CSF seeks primarily to modernise the existing supply of the Greek tourism industry. The planning was carried out by the Greek National Tourism Organisation (GNTO) which, until 2001, was the only policy-producing actor in the field of tourism. It has been argued that this planning is the weakest in qualitative terms compared to the other components of the OP COM<sup>28</sup>; on the other hand, GNTO officials were not happy with the way tourism policy was integrated with the support of business activities, claiming that the GS of Industry overlooked the views of the tourism sector and adopted an “industry-centered approach”<sup>29</sup>. Another point of contention was the way that aid to business would be managed; the MA COM promoted and imposed the establishment of Intermediate Management Agencies (which manage the bulk of funding in the tourism sector) despite the objections of the NGTO. In spite of this row, nowadays there are no major frictions between the NGTO and the MA COM, both parties wishing to reach a situation of mutual understanding.

The improvement of relationships between the GNTO and the other policy actors beyond the

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<sup>26</sup> These include the Greek Organisation for Standardisation (ELOT), the Greek Industrial Development Bank, the Greek Institute for Metrology, the Greek Institute for Health & Safety at Work, the Greek Industrial Properties, the National Council for Accreditation, the Single Agency for the Control of Foods and the Technological Park of Lavrion.

<sup>27</sup> In most cases this control is exhausted in the prerogative of the General Secretary to appoint (and change) the board of directors of each supervised body (interview with an MA COM official).

<sup>28</sup> Interview with an MA COM official.

<sup>29</sup> Interview with a GNTO official.

tourism sector might not be irrelevant with the devolution of competences that has been developing within this very policy area: from 2001 on, the newly created General Secretariat for Tourism took over a lot of policy competences (previously belonging to the GNTTO) and, in addition, assumed the role of ultimate beneficiary in certain actions of Axis 5 formerly administered by the GNTTO. Furthermore, part of the staff of the new GS was transferred from the GNTTO; all the same, this new actor is still understaffed and is not succeeding in meeting the obligations it has undertaken.

### ***Research and Technology***

The role of the General Secretariat for Research and Technology (GSRT) is rather exceptional in the framework of the OP COM; the service in question has a record of a high degree of independence as well as of a high level of human resources<sup>30</sup> (). However, even in this case, the personal factor was crucial for the allocation of competences regarding the implementation of the OP COM: the current General Secretary, Dimitris Deniozos, a highly respectable and influential person who was involved in the establishment of the GSRT in the late 1970s, served as General Secretary from 1978 to 1996 and contributed greatly to the enhancement of its activities. After a four-year interval, Deniozos returned to its old post and, according to one of his subordinates, “achieved to preserve the management of the CSF within the GSRT”<sup>31</sup>. As a consequence, the GSRT is virtually the exclusive ultimate beneficiary and the relevant policy network is nested in its various services which have become more “extrovert” (thanks to their involvement with a growing number of projects). On the other hand, the allocation of competences is based less on the functional specialisation of each department and more on the General Secretary’s preferences<sup>32</sup>.

So far, implementing the measures on research and development has been far from uneventful.

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<sup>30</sup> 20% of the personnel hold a PhD.

<sup>31</sup> Interview with a GSRT official.

<sup>32</sup> The most active departments are the Directorate for Technological Development, the Directorate for the Support of Research Programmes and the Department of Structural Funds Management; the Planning Directorate has been marginalised and its contribution is limited in supervising the regional OPs (interview with a GSRT official).

The section of the planning supplement referring to measures on research and development was drafted by the Planning Directorate of the GSRD and completed by the newly created MA COM in 2000. However, in 2001 the Greek authorities were informed by the Commission that all measures on research and development were under a “suspension clause” because the proposed aid schemes did not have the approval of the GD-Competition of the European Commission. During the remainder of the year, the Greek government attempted to intervene at the political level, but the Commission was adamant in its demands. The problem was solved only in late 2002 after the GSRD: first, took the initiative to engage in a series of direct contacts with the Commission –effectively substituting the MA COM- and, second, obtained the MA COM’s approval on the projects themselves after protracted negotiations. This episode left a stain in the relations between the GSRD and the MA COM, with the former reproaching the latter for failing to provide guidance and for exhibiting a bureaucratic mentality. Nevertheless, during the last months the various projects have started to run and tensions are gradually easing. In any case, the difficulty in presenting projects that respect the EU state aid legislation is not confined in the OP COM<sup>33</sup>, and this phenomenon reflects not only the lack of legal expertise among the Greek civil service, but also its unwillingness to invest time and effort in order to be able to follow the EU rules<sup>34</sup>.

### ***Energy***

Contrary to the three other policy sectors under study, competences on the energy sector are not delegated to an independent General Secretariat; instead, they are exercised by two General Directorates (Directorate of Energy and Directorate of National Resources) and an Autonomous Department for the Management of EU Programmes; all three are placed under the authority of the General Secretary of Development. The contribution of these services to both the planning and the implementation of the OP COM has been rather marginal. On the one hand, planning was performed essentially by the General Secretary and three private companies that had served as management consultants during the second CSF. Moreover (and, one might argue, as a consequence of the planning process), in most cases, implementation is handed over to a number

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<sup>33</sup> The regional OPs are facing the same problem.

<sup>34</sup> Interview with a GSRT official.

of public bodies or utility companies under public control<sup>35</sup> that are under the supervision of the General Secretariat of Development. On the other hand, the services of the said GS on energy issues are marginalised in both form and essence<sup>36</sup> and are unable to monitor and control the activities of their “supervised bodies”.

On the policy field, so far the results are clearly disappointing: overall progress is very slow and no actual payments had taken place until the first half of 2003<sup>37</sup>. This bleak picture must be primarily attributed to organisational shortcomings on two dimensions. First, since the energy sector is subject to liberalisation, the legal status of the former public utilities changed (i.e. they are considered private companies), and at the same time, various new public managing and supervising bodies are being created; however, the Greek authorities had failed to notify these changes to the Commission, and this omission gave rise to serious eligibility problems<sup>38</sup> that necessitated new legislation and new studies. Second, the new management and implementation procedures are much more demanding and transparent, also placing a lot of emphasis on safeguarding legality; thus, much more effort and adaptability is required on the behalf of the final beneficiaries –who, one has to stress, under the previous status quo not only used to enjoy much greater leeway in terms of managing standards, but also made extensive use of political interventions in order to bypass eligibility rules.

### **III. The third-level sub-networks: the IMAs**

There are eight Intermediate Management Agencies (IMAs) under the OP COM. They are non-profit organisations bringing together various economic partners (such as Unions of Professional Chambers, the Union of Greek Banks, local development agencies and others). Seven IMAs

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<sup>35</sup> These are the Public Power Corporation S.A., the Institute of Geology and Mineral Exploration, the Manager of the Greek Electrical Energy Transfer System, the Regulatory Authority for Energy, the Public Gas Corporation and three local Gas Corporations.

<sup>36</sup> A significant number of their personnel has moved to the MA COM.

<sup>37</sup> Certain projects were pre-qualified for funding before the third CSF for reasons of continuity; the funds that were committed in this way represent 10% of the overall budget for energy (interview with an MA COM official).

<sup>38</sup> Article 30 of the regulation 1260/99 on the coordination of the Structural Funds stipulates that actions that were eligible for EU funding in the past retain their eligibility only if the ownership status of their infrastructure has not changed (Commission 2000: 58).

operate according to territorial criteria (i.e. each of them is responsible for a region or a group of regions) and one IMA manages aid in the field of energy. Their tasks include:

- Aid for investments in Renewable Energy Sources (RES) systems, co-production systems and the saving of energy
- Qualitative modernisation of tourism accommodation
- Aid for the competitiveness of SMEs in all branches of the tourism sector
- Aid for businesses, for the development and certification of Quality Assurance Systems, Environment Management Systems and Health & Safety Management Systems
- Aid for business plans by SMEs
- Aid for environmental business plans
- Aid to businesses for the adoption of business excellence
- Integrated alternative tourism activities
- Aid for projects on islands, with innovative solutions for meeting their energy needs
- Education and training activities

Unsurprisingly, it was the Commission that had had put forward the idea of creating IMAs during the second CSF. The Greek government responded by issuing two Presidential Degrees (PD 98/96 and PD 322/97) that made the establishment of these institutions possible. However, this legal possibility was not transformed to action before the third CSF. Hence, the OP COM provided for the establishment of a small number (4-6) of Intermediate Management Agencies (IMAs) -which would have decentralised structures and would manage actions in support of businesses on the basis of the existing statutory framework- by the end of the first six months of 2002 (Hellenic Republic 2000: 215-217). The selection of the IMAs was made by the MA COM. It was initially decided that contracts would be signed: a) with six IMAs that would distribute aid. The turnout of candidates was low (only 11 candidate schemes were put on the table); three regional and one sectoral proposals were rejected outright, and the remaining candidates shared the available posts after an adjustment of the number of regional IMAs (seven instead of six).

It is too early to judge the performance of the IMAs: however, it appears that, specialisation along territorial lines has not produced very efficient results and has added a lot of paperwork in

the administration of state aid<sup>39</sup>. Time will tell whether this is only a temporary phenomenon or whether the IMAs should have been organised along sectoral lines.

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<sup>39</sup> Interview with an MA COM official.

## 4. Synthesis and Conclusions

In the case of the third CSF, the strategy promoted by the most powerful Greek agents (namely the political leadership) was to accommodate the demands arising from the new EU regional policy with the existing rules and structures. But, contrary to the two previous CSFs, “accommodation” necessitated the establishment of new management structures and procedures.

The OP Competitiveness is a giant in terms of financial size, and extremely complex in terms of policy priorities and policy-making procedures. Though its conception was the outcome of a change in the balance of power within the government, it also signified a new approach in policy making. Unfortunately, the attempt to integrate development planning in four previously isolated policy areas took place at a late stage of the programming process. Hence, the quality of planning was not improved significantly<sup>40</sup>; furthermore, in their haste to achieve approval by the Commission, the four GSs and the new MA COM failed to tackle efficiently all the new procedural and legal requirements and to provide all potential ultimate beneficiaries with sufficient guidance. If the huge adjustment and coordination costs imposed on both the MA COM and the GSs are added in the picture, it is easy to understand why the introduction of the OP COM was viewed as a policy shock and why implementation rates are so slow even now<sup>41</sup>.

It is hard to exaggerate the complexity and the variety that characterise the policy network set up around the central institutions that manage and monitor the OP COM. That being said, the key for developing an understanding of the evolving policies and politics lies in the MA COM. First of all, the new authority is situated at the focal point of the system and, besides, holds exclusive gate-keeping competences. Second, its own composition is roughly representative of the second- and the third-level level network: approximately one third of the staff of the MA COM comes from the GSs of industry, research and development and energy. Having to work together (and at the same time retaining their area of expertise and their past affiliations), these officials are in the best position to form a broader picture of the overall network while possessing in-depth

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<sup>40</sup> Interview with an MA COM official.

<sup>41</sup> The OP COM exhibits one of the lowest implementation rates among the Greek sectoral OPs. According to official estimates, only the OP Information Society (which is also a novelty in conceptual and organisational terms) presents a lower percentage of public spending actually committed (14% as opposed to 16% for the OP COM).

knowledge of their area of specialisation – and hence of the subsidiary networks. At the same time, the four GSs have not shaken off their traditional defensive mentality –as each GS attempts to safeguard its prerogatives and impulsively rejects any change in the status quo- and the ensuing bureaucratic rivalries are reproduced in the MA COM<sup>42</sup>. Third, the MA COM is the agent in charge of “rewarding” the most efficient measures “punishing” the less productive ones in the framework of the intermediate appraisal of the OP COM that has to be completed by the end of 2003; this exercise has significant political connotations and, under conditions of mutual mistrust, may trigger an internal crisis.

Nevertheless, the MA COM is not all-powerful; while policy implementation is generally immune to political interference –in direct contrast with the past-, the big strategic decisions are being taken by the Monitoring Committees (the OP COM MC and the CSF MC) in the “old way”. However, the most serious problems for the MA COM derive from its own partners; in the absence of know-how –and despite various efforts to disseminate knowledge-, many ultimate beneficiaries cannot meet the new management demands<sup>43</sup> and, in almost all cases, progress occurs only through trial and error. On the other hand, despite its resolution to abide by the rules and to be strict in the face of irregularities, the MA COM itself does not work always in an exemplary way<sup>44</sup>. In addition, the steering capabilities of the Ministry of Economy (ME) are not up to expectations<sup>45</sup>. In any case, a certain degree of optimism can be allowed: given that the OP COM is the first attempt to upgrade the productive environment in a systematic way, the policy shock that has taken place will be all but beneficial.

Apart from managerial efficiency, the other basic condition for the success of the OP COM is the response of the private sector. Unfortunately, very little progress has been made in this field. Most observers recognise that the bulk of Greek business -and especially the most vulnerable and needy ones- are disinclined to innovation and too risk-averse to exploit the new opportunities

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<sup>42</sup> For instance, it has been mentioned that the GS for Industry and the GSRT find it very difficult to cooperate at all levels (interview with a GSRT official).

<sup>43</sup> Many persons interviewed (including some highly ranked officials of the MA COM) have strongly criticised the new management system for raising too many procedural obstacles and for prioritising form at the expense of substance.

<sup>44</sup> In some cases, the support to final beneficiaries was wanting; in other instances, contradictory decisions were issued by its different units (interviews with a GNTO official and a GSRD official).

<sup>45</sup> According to one MA COM official, the improvement brought about by the new MAs in the management of most individual OPs has made more manifest the leadership deficit at the centre of the system.

offered. Notwithstanding this, one has to note that a support network for business is being created just now, and that this delay is the product of past policy failures. To sum up, while the OP COM does generally have a positive impact on the quality of policy making<sup>46</sup> (and this contribution is expected to increase in the future), its effect on the relations between the state and the economy is less clear<sup>47</sup>. In all probability, more positive developments will be recorded in the immediate future, but the time lag with the more developed European economies is increasing and this does not bode well for the competitiveness of the Greek economy.

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<sup>46</sup> The most positive developments are the piecemeal diffusion of know-how and the slow, if painful, improvement of communications between different government departments.

<sup>47</sup> This remark applies equally in the case of big infrastructure projects in the field of energy; these activities are expected to bring fruit in the long term but only on condition that the private sector invests in the technologies that are still being developed –which is not certain (interview with an MA COM official).

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## **C. Interviews**

Interviews with officials from the Managing Authority of the OP Competitiveness, the General Secretariat of Research and Development and the Greek National Tourism Organisation.

# ANNEX

**Figure 1**

## **Identity of the OP “Competitiveness”**

Member State:	<b>GREECE</b>
Type of OP :	<b>SECTORAL</b>
CSF Chapter :	<b>3</b>
Title of OP :	<b>COMPETITIVENESS (OP “COM”)</b>
Administrative Authority:	<b>SPECIAL SECRETARIAT FOR COMPETITIVENESS</b>
Implementation duration:	<b>2000 - 2006</b>
Deadline for the settlement and for completing the actions of the OP “COM”:	<b>2008</b>
Date of the OP’s submission:	<b>March 2000</b>
Date of the Planning Supplement’s submission:	<b>March 2001</b>
Participating Structural Funds:	<b>ERDF, ESF</b>
Total budget:	<b>6 392 333 215 EUR</b>
Total public expenditure:	<b>3 217 420 739 EUR</b> (50.38% of the total budget)
Total Structural Fund participation:	<b>1 976 705 391 EUR</b> (61.5% of total budget expenditure)
Total ERDF participation:	<b>1 826 705 391 EUR</b> (92.4% of the Structural Fund participation)
Total ESF participation:	<b>150 000 000 EUR</b> (7.6% of the Structural Fund participation)
Total national participation:	<b>1 240 715 348 EUR</b>
Total private financing:	<b>3 174 912 476 EUR</b>

The OP “COM” includes 9 Priority Axes comprising 37 Measures

### **PRIORITY AXIS 1: IMPROVING THE BUSINESS ENVIRONMENT**

**Measure 1.1:** Industrial, technological and business infrastructures

**Measure 1.2:** National Quality System

**Measure 1.3:** Simplification of the business environment

**Measure 1.4:** Structures for the support of SMEs

**PRIORITY AXIS 2: SUPPORT AND ENCOURAGEMENT OF BUSINESS INITIATIVES**

**Measure 2.1:** Aid for investment in co-production, renewable energy sources (RESs) and energy saving systems

**Measure 2.2:** Upgrading of accommodation and aid for small and medium-sized tourism enterprises (SMEs)

**Measure 2.3:** Aid for private investment (Law 2601/98) in the Processing sector

**Measure 2.4:** Continuing investment (development Law 2601/98)

**Measure 2.5:** Technological and organisational modernisation of businesses

**Measure 2.6:** Finance credit support for SMEs and Very Small Enterprises (VSEs)

**Measure 2.7:** Support for the competitiveness of SMEs and VSEs

**Measure 2.8:** Encouragement of business initiatives by various population groups

**Measure 2.9:** Support for business initiatives in the environmental sector

**PRIORITY AXIS 3: PROMOTION OF EXCELLENCE IN BUSINESS ACTIVITY**

**Measure 3.1:** Promotion of business excellence in the energy sector

**Measure 3.2:** Promotion of business excellence in processing and tourism enterprises

**Measure 3.3:** Promotion of excellence in technological development and research

**PRIORITY AXIS 4: TECHNOLOGICAL INNOVATION AND RESEARCH**

**Measure 4.1:** Support of research units for the standardisation and commercial exploitation of research results. Location and utilisation of research results by the creation of new enterprises (Spin-off)

**Measure 4.2:** Incubators for new knowledge-intensive companies in science & technology parks and research centres with the participation of businesses

**Measure 4.3:** Encouragement of research and the transfer and spread of technology in companies. Support for activities of international

scientific and technological cooperation and technology transfer

**Measure 4.4:** Increasing public awareness of new technologies. Support and formulation of R & T policy. Management of R & T information

**Measure 4.5:** Co-operatives for research and technological development in sectors of national priority

**PRIORITY AXIS 5: DIFFERENTIATION OF THE TOURISM PRODUCT - PROMOTION OF GREECE AS A TOURIST DESTINATION**

**Measure 5.1:** Aid for the establishment of special tourism infrastructure – Integrated Tourism Development Areas (ITDAs)

**Measure 5.2:** Integrated alternative tourism activities - Touristic Anchorages

**Measure 5.3:** Promotion of tourism - Reduction of seasonality

**PRIORITY AXIS 6: SECURING THE ENERGY SUPPLY AND PROMOTING LIBERALISATION OF THE ENERGY MARKET**

**Measure 6.1:** Access to alternative natural gas supply sources

**Measure 6.2:** Support for the flexibility, stability and reliability of the natural gas system

**Measure 6.3:** Special energy infrastructures for islands and for the promotion of renewable energy sources (RESs)

**Measure 6.4:** Operation of the liberalised energy market

**PRIORITY AXIS 7: ENERGY AND SUSTAINABLE DEVELOPMENT**

**Measure 7.1:** Adoption of the use of natural gas in the domestic and tertiary sector, by new industrial consumers, and in the transport sector

**Measure 7.2:** Infrastructure for the safety of oil products storage and transport

**Measure 7.3:** Utilisation of natural resources and support for compliance with environmental commitments

**PRIORITY AXIS 8: HUMAN RESOURCES**

**Measure 8.1:** Education and training in the sector of tourism

**Measure 8.2:** Human resources in Processing and Services

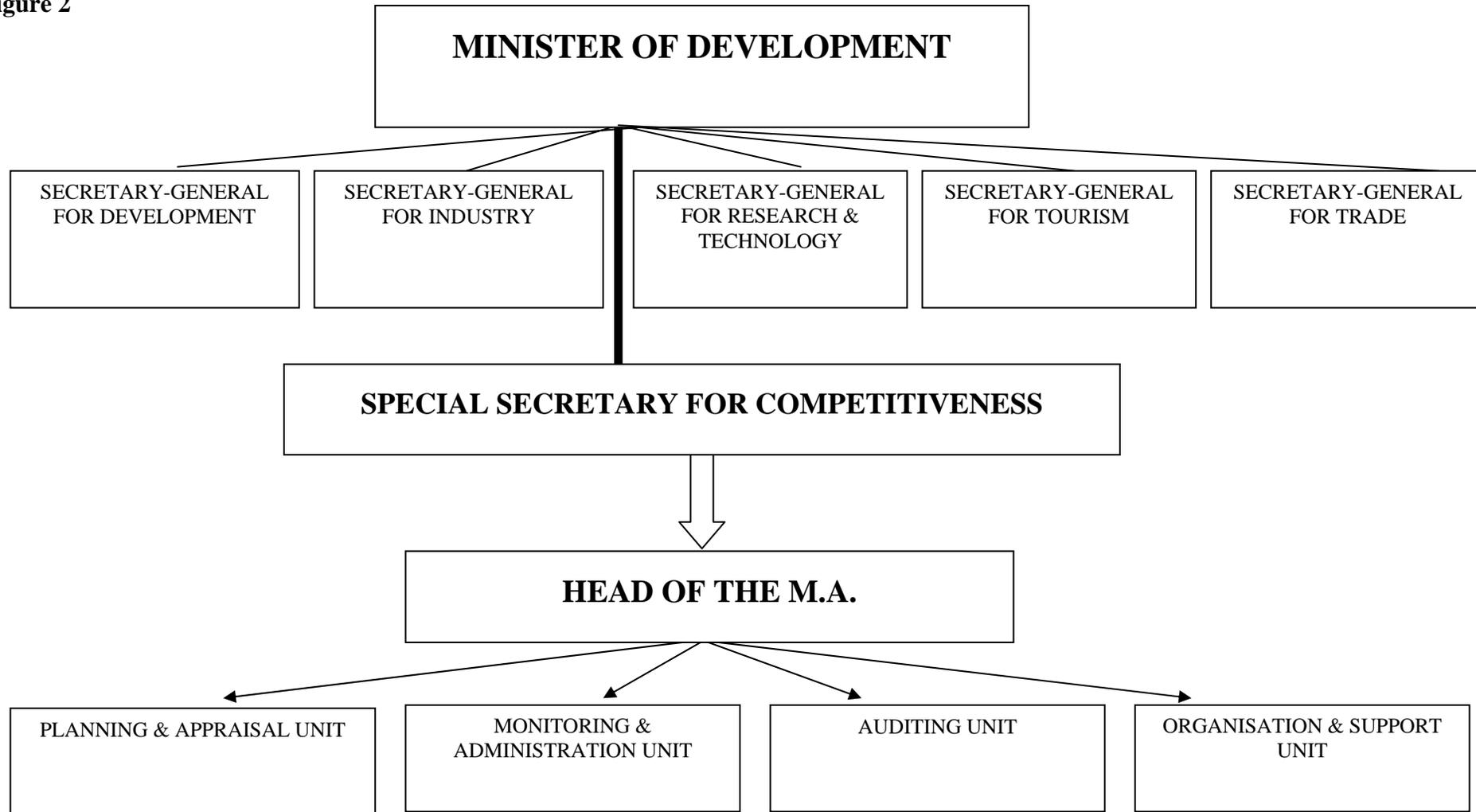
**Measure 8.3:** Human resources in Research & Technology

**PRIORITY AXIS 9: TECHNICAL AID**

**Measure 9.1:** Technical aid ERDF

**Measure 9.2:** Technical aid ESF

**Figure 2**



**Source: Ministry of Development (2000)**