# The effectiveness of European Regional Development Fund projects in Greece: views from planners, management staff and beneficiaries

# Abstract

The European Regional Development Fund (ERDF) is the most significant of the Structural Funds in terms of budget and range of thematic priorities. For the purposes of this paper, we argue that three different levels in multi-level governance emerge in their planning and management: the higher (European and national) level planning; the lower level (beneficiaries); and the intermediate level of (national and regional) planning and management. We discuss the views and practices of intermediate managers and beneficiaries to gain insights on the effectiveness of ERDF interventions on the island of Lesvos (Voreio Aigaio Region, Greece), with interviews with a number of key stakeholders and beneficiaries. The findings suggest differences and contrasting views on the role of ERDF funding amongst the different levels. Local politics also affect the effectiveness by influencing the administration, planning and management of ERDF implementation.

**Key words**: Structural Funds; European Regional Development Fund (ERDF); regional development; Regional Operational Programmes; Lesvos

# Introduction

The Structural Funds (SFs) are the main policy instrument at the European level designed and implemented to tackle disparities, promote competitiveness and try to achieve territorial cohesion (EC, 2010). The European Regional Development Fund (ERDF) is the most significant of the SFs in terms of budget and range of thematic priorities. The effectiveness of ERDF interventions at various levels (European, national and regional) in promoting economic convergence in the EU has been the focus of academic research (see Bachtler and McMaster, 2008; Boldrin and Canova, 2001; Dall'erba and Le Gallo, 2008). Some question the efficiency of the Funds (e.g. Dall'erba and Le Gallo, 2008), as although they are mainly devoted to least developed regions, “regional inequalities persist in Europe” (p. 238). Others highlight that in the 1990s disparities between Southern Europe and the rest of the EU were reduced somewhat, partly due to the contribution of ERDF (see Leonardi, 2006; Lolos, 2009; Todl, 2006). Boldrin and Canova (2001) argue that many factors seem to influence the effectiveness of ERDF and a number of empirical studies agree, such as Graham and Hart (1999), Shutt et al. (2002), Sosvilla-Rivero et al. (2006), Ulltveit-Moe (2007) and Zoppi and Lai (2011).

This article provides a qualitative approach to the field of research on the effectiveness of implementation of ERDF. Focusing on the Greek island of Lesvos, which is located in the Northern Aegean on the external border of the EU, it explores the ways in which ERDF is managed and implemented among the different actors of state and non-state stakeholders involved, in different aspects of multi-level governance: 1) the European and national level; 2) the intermediate level of national and regional authorities involved in the planning and management of ERDF; and 3) the level of the beneficiaries. The next section discusses some of the theoretical considerations in more detail, followed by the description of the area and the research method used. After this, the research findings are presented and discussed before the concluding remarks.

# Theoretical considerations

Since its inception in the 1980s, ERDF has gone through several different programming periods in which the particular priorities, governance and level of resources have changed and evolved. The key pillars of the policy, however, have remained broadly the same. These include expenditure being planned and carried out on a multi-annual basis within the programming period; a strategic focus on the types of investments; the additionality principle with Member States co-funding the public investment; and the partnership principle to ensure the involvement of (sub-)national government and non-state stakeholders (EC, 2010; Bache, 1998; Chardas, 2012). Furthermore, one of the key elements is the need to develop so-called Regional Operational Programmes (ROPs), which are strategic documents developed in partnership between the key stakeholders, including the European Commission, national government Ministries as well as local and regional partners (Bache, 2010a). The ROPs detail the main strategic investment priorities and the framework within which the funds will be managed during the seven year programming period (Batterbury, 2006). In this policy framework, sub-national authorities are provided with a new set of opportunities to influence policy at the European and national levels including institutional, political and economic involvement (see Hooghe, 1996; Jeffrey, 2000).

Therefore, three stages in the administration of the funds emerge which are broadly: a) planning; b) management; and c) implementation involving stakeholders operating in partnership, at multi-levels of governance (Briassoulis, 2004; Chardas, 2012). The first level refers to the conceptualisation and goal setting of the programmes, typically at the supra-national level (EC, 2010). This involves the European Commission proposing the key priorities and objectives for ERDF investments which is then shaped and decided through the co-decision process involving the Member States via the European Council together with the European Parliament (Molle, 2008). In this level, the overall high-level strategic goals and objectives of the policy are set in line with the EU’s overarching goals. In the current programming period, 2007 to 2013, the ERDF ROPs were strategically aligned to the priorities of the EU’s Europe 2020 strategy[[1]](#footnote-1) for *smart growth, inclusive growth and sustainable growth*. This meant that regions and local authorities had to focus their ERDF investments in areas such as innovation, energy efficiency, promoting entrepreneurship, improving the labour market as well as infrastructure (EC, 2010).

The second level typically takes place at the national level involving key Ministries and regional (and local) Managing Authorities. Arguably, one of the primary goals of these authorities at the national level is to monitor the transfer of EU funds to the beneficiaries with good governance, transparency and efficiency and to ensure that the funds are spent according to the overall EU guidelines. This entails another level of goals, sometimes more implicit than the explicit ones of the first level, such as the means of tailoring the high-level EU priorities into concrete actions relevant to the particular national as well as regional contexts. This is not a trivial task. Indeed, this level has been identified as really important in the overall efficiency of ERDF management in terms of ensuring that partnerships with both the EU and national authorities is effective as well as with beneficiaries and other stakeholders at the local level (see Bache, 2010b; Gualinia, 2003; Knill, 1998). Interestingly, however, interactions with beneficiaries as well as the way in which national priorities and rules are often superimposed upon the EU guidelines has been discussed relatively less in the academic literature.

The third level refers to the beneficiaries of the programmes. They include a range of public bodies and/or private firms, each with their own goals and aspirations in terms of how they utilise funding. Private beneficiaries are obviously keen to receive funding which in some way will help them to increase profits or facilitate investments in new and innovative ways of operating, or to create new jobs in their organisations. On the other hand, public bodies receiving support will have other goals such as realising a particular project in a local area for the benefit of citizens, such as new infrastructure. In addition, local politicians are often keen to show that new public investment into their own locality has been attracted with their efforts.

In the context of this multi-level governance framework, it is apparent that interactions between the stakeholders in the different levels are contingent upon a range of factors, which are discussed in more detail here. First, the three levels are *not* mutually exclusive because clearly officials and stakeholders do interact in partnership both between and across the multi-levels of governance. Second, the relationships fostered by the partnership principle are not linear or uniform with different Member States and regions operating in contrasting ways which means that there is a differentiated pattern of multi-level governance across the EU (Bache, 2010a: 59):

“partnership is a highly political instrument bearing values that shape different purposes and effects in different contexts. Thus, while on occasions it might be dressed up in technocratic language to depoliticise and de-democratise public policy-making, on others it might be similarly disguised in attempts to politicise and democratise”.

Third, the domestic context is very important (Bähr, 2008; Knill, 1998). The degree of regional and local autonomy is crucial, as it shapes the power relationships between the different levels. As Bache (2010a) points out, the ERDF partnership principle has really enhanced multi-level governance dynamics in those Member States in which domestic policies dovetail with the EU policy direction encouraging autonomy and engagement. On the other hand, in those countries with a strong centralised tradition, the degree of partnership between the different governance levels has been relatively more problematic because it goes against the grain of domestic policy norms and traditions. This creates arguably much more tension, inertia and resistance between the stakeholders operating at the various levels of governance.

This is especially pertinent in the Greek case which, as Chardas (2012) explains, has a highly centralised governance system with much less autonomy given to local authorities. Batterbury (2006) considers Greece as one of those Member States with little experience in planning and evaluating Structural Funds actions “where evaluation is being driven by the regulatory obligations of the Structural Funds” (p. 185).

Lastly, studies on the goals and involvement of ERDF final beneficiaries, view them at best as ‘passive’ recipients of top-down policies (e.g. Zoppi and Lai, 2011) and often not as active participants that influence the effectiveness of these policies. However, as this article explores, a qualitative approach to exploring the relationships between different levels in the management and implementation of ERDF does allow some of the challenges of trying to reconcile priorities at multi-levels of governance to be highlighted. This is particularly important because although the literature on the efficiency of ERDF is particularly rich with quantitative studies at the regional level (e.g. Dall'erba and Le Gallo, 2008; Sosvilla-Rivero, et al., 2006; Ulltveit-Moe, 2007), qualitative studies are relatively less common (but see Nikolaides et al., 2009).

Similarly, in the Greek context, much of the academic literature focuses largely on quantitative analysis of the impacts of ERDF (e.g. Christofakis and Papadaskalopoulos, 2011; Halkos, and Tzeremes, 2010; Lolos, 2009) and much less on qualitative aspects, including how priorities at the national level are aligned with the needs of particular regions or territories, such as the islands. This point is very relevant for the Lesvos case as is discussed further in subsequent sections of this article. Thus, through a qualitative analysis of the management of ERDF in Lesvos, this article provides a contribution to this relative gap in the academic literature. It explores the views and practices of intermediate managers and beneficiaries involved in the island’s ROP and compares these with the overall EU and Greek national objectives for the Voreio Aigaio Region (Greece). We focus on ERDF related measures and projects and examine the available data for two programming periods, 2000-2006 and 2007-2013. The next section discusses the Lesvos case in more detail.

# Geographical focus, materials and methods

## Lesvos Island

The former Prefecture of Lesvos (NUTS 3, GR411, Figure 1) is in the Voreio Aigaio Region (NUTS II, GR 41) and includes three islands: Lesvos (1,450 km2, had approximately 90,000 inhabitants in 2011); Limnos (475 km2, had approximately 18,000 inhabitants in 2011); and Agios Efstratios (43 km2, had approximately 250 inhabitants in 2011). The island is situated on the external border of both Greece and the EU (see Figure 1).

The island faces several challenges. First, demographically, it has steadily lost an important part of its population since 1951 (-35% between 1951 and 1981) and roughly -4% between 2001 and 2011. Natural population balance has been negative for the last 50 years and stood at -2.3 /1000 inhabitants in 2008. Consequently, Lesvos is characterised by an ageing population profile with an ageing indicator (people over 65/people younger than 15) of 145, compared to the Greek national average of 110.

Since the 1950s, Lesvos has undergone a fast decrease of its economically active population, due to the decline of its main competitive economic activities (industry based on olive oil and soap processing). For example, in 2001, the active population represented 37% of the total population, compared to 42.2% for Greece. The GDP/capita reflects this, as it stood at 68.7% in 2007 with Greece at 100%, continuing to diverge from the national average, (+30% between 2000-2008, compared to 38.3% for Greece). Furthermore, in terms of competitiveness, a number of key indicators at the NUTS2 level reveal a mixed picture. For example, early school leavers; share of population with tertiary education; spending on R&D; number of patents are all very low and consequently, the island’s competitiveness index is 8 compared to a European average figure of 55 (ESPON, 2011).

Unemployment is lower than the Greek average. For example, according to EUROSTAT, in the second trimester of 2011, the region of Voreio Aigaio had a rate of 14.1% compared to 16.3% nationally. However, in the case of Lesvos, the relative lower rates seem to reflect the fact that the people who cannot find a job tend to leave the island, which is reflected in the lower employment rates. By far the largest sector of the island’s economy consists of public services, including the University, public administration (local and regional) and a Greek Army Brigade. Overall, along with private services, these account for about 75% of the Gross Regional Product (GRP) compared to around 16% from export-related activities from agri-food industries including the production of olive oil, ouzo and cheese.

Accessibility and the island’s location create a series of challenges. Clearly, transport and production costs are higher and this makes local products relatively less competitive. Reduced accessibility and the significant distance from the mainland is also a handicap that residents have to overcome, including the high transport costs compared to similar areas on the Greek mainland. However, the island’s assets are also linked to its particular insular characteristics and include distinctive natural and cultural environments, good quality of life and high quality agri-food products (four chracterised as Protected Designation of Origin (PDO) and one Protected Geographical Indication (PGI)).

Finally, the administrative and governance structure has changed in 2011, when the former 13 Municipalities were reduced to a single one covering the whole island. The reform also brought an elected head of the Voreio Aigaio Region for the first time (a general secretary of the Region was appointed by the central government until then).

## The ERDF programme on Lesvos

For the 2000-06 period, Voreio Aigaio was eligible under Objective 1 (its GDP per capita was lower than the 75% of the EU average); and it is under the Convergence objective during the 2007-2013 period. In the 2000-06 period, actions in the region were financed by the ROP (in which ERDF, ESF and EAGGF actions were included), by national sectoral Operational Programmes and by the Cohesion Fund. During the 2007-13 period, two major differences in management were introduced.

First, three regions instead of one are included in a common ROP covering several Greek islands including Voreio Aigaio, Notio Aigaio and Kriti (Figure 1). Second, the ROP only covers ERDF interventions for Voreio Aigaio, along with the Cohesion Fund and national Operational Programmes, while support for SMEs is handled by private sector banks that cover a part of the co-financing providing with loans, if eligible, to the enterprises (the so-called “JEREMIE” approach). Lesvos receives 52% of the ERDF regional programmes due to a decision taken at the regional level to allocate the amount of the regional funds in NUTS 3 zones according to their population.

In Greece, the planning practice of ROPs remains very much under close national control with most of the setting and negotiating objectives, axes, goals, procedures and financing being set up by the central Ministries together with EU officials. This is the second of the three levels discussed earlier. In spite of the differences in the management of the ROPs between the two periods, the actual strategic objectives remained largely the same. These were focused on tackling the demographic and socio-economic challenges as well as trying to tackle the problems resulting from geographical isolation and insularity (both explicitly mentioned in both ROPs).

## Research approach

Face-to-face interviews were carried out with the key senior officials and stakeholders on Lesvos. The selection of the respondents was made by taking into account the role of their respective institutions in the planning, management and implementation of ERDF ROPs. Regarding the beneficiaries, the Municipality of Lesvos is the most important public authority on the island benefiting from ERDF. A senior local government official responsible for managing and overseeing ERDF projects was interviewed. In addition, a senior political representative, the vice-mayor responsible for managing the financial affairs of the Municipality was interviewed. The second largest beneficiary of ERDF funding is the University of the Aegean. Interviews were carried out with a senior University official responsible for the unit that manages and oversees all ERDF projects as well as the Vice-Rector responsible for infrastructure. For beneficiaries of public and private funds we included one semi-public beneficiary, the Museum of Natural History of the Petrified Forest of Lesvos, with interviews with the Director of the Musuem and the manager responsible for ERDF projects. The largest private sector beneficiary on the island is in the agro-food sector and the head of production was interviewed to explore the company’s experience in accessing ERDF funding. The beneficiaries interviewed on Lesvos accounted for more than 80% of the total budget of the two ROPs on the island.

The final list included the Regional Managing Authority of the ROP (three interviews, one with the head of the Authority, one with a man from the Unit A responsible for planning and evaluation and one with a manager of ERDF projects and Cohesion Fund projects); the Regional Authority that manages the projects dedicated for private enterprises (DISA in Greek, one interview with the head of the Authority, a woman few weeks before her retirement); the Local Action Group that runs the LEADER project (one interview with the head of the Group).

All the interviews were carried on the island during September 2011 with an interview guide which covered the role of the respondent in planning (if any) and implementation of the ROP and their views on the success and efficiency of the Programme and the projects it has co-financed. The interview was open to all kinds of comments and responses from respondents. The reason for this was related with the choice to make fewer and more in depth interviews in order to focus more on qualitative aspects of planning and implementation of the ROPs that can reveal a number of underlying issues and problems on their effectiveness. Such issues are discussed in the literature (e.g. Boldrin and Canova, 2001, Batterbury, 2006), but very rarely qualitative issues are brought to the fore. The particular research approach can not produce representative findings, but has produced a range of findings and issues which are indicative for planning and managing ERDF programmes in other peripheral areas of Europe.

Statistical data at the NUTS 3 level was used (the former Lesvos Prefecture that includes Lemnos and Agios Efstratios Islands as well) and at the NUTS 2 level (the Voreio Aigaio Region) from EL.STAT., the Greek Statistics Agency (www.statistics.gr). For the ROP 2000-2006 and 2007-2013 the main sources were: (a) the Managing Authority on Lesvos Island that provided relevant documents (the texts of the ROPs and all subsequent revisions, the Final Report of the 2000-2006 ROP, the files from the annual Monitoring Committees of both ROPs, files occassionally published in the web pages of the Managing Authority on the financial “progress” of the ROPs) and; (b) the SWECO study[[2]](#footnote-2) on ERDF expenditure at NUTS2 and 3 levels for 2000-2006.

A key constraint with the data is that Lesvos Island is not taken as a separate unit of analysis. When data for Lesvos were available they were used. In all other cases, we had to rely on Regional data or on data for the former Prefecture. The “breaking down” of projects from the list of all projects of the ROPs for each one of the separate islands of the Regions was not always possible, as many projects were applied to more than one of them. For the 2000-2006 ROP, the data of the closing report was used. There are slight discrepancies in the ERDF sums due to either funds transferred to the 2007-2013 ROP in so called “bridge projects” or due to funding that had to be returned after completion.

# ERDF implementation on Lesvos

## The formulation of the ROPs

The ROPs were developed by the Regional Managing Authority, under the supervision and the guidelines of the Greek Ministry of Economics and Finance and with the technical support by consultancy firms. In the early phases of planning, typically one to two years before the implementation phase, consultation took place with local and regional stakeholders. Local stakeholders were asked to come up with ideas, projects and objectives and these lists were given to a committee that sought to develop the programme strategy and priorities, again with the technical support of consultancy firms.

The process however was not devoid of political pressures from a variety of stakeholders. Notably, the Greek government provided guidelines to include actions and projects that were already “mature” (i.e. already had studies carried out, such as feasibility, technical or others) to ensure that expenditures could be made quickly and keep the expenditures of the projects “on-track”. In addition, regional and local authorities and many local stakeholders came up with a list of projects. The result was a rather incoherent ‘shopping list’ of projects which tended to focus more on ‘hard’ infrastructure.

According to one respondent from the Regional Managing Authority, the actual process of priority setting was, in many cases, adjusted to make sure that particular projects that were considered by national or Regional authorities as necessary to be funded were eligible. Some examples include the completion of a national road that the Ministry and the Regional Authorities thought was necessary, the local road network that was very high on the priority list of local stakeholders, or waste treatment facilities to meet EU regulations for waste treatment. Thus, the ROP was planned to a degree to facilitate the making of some of the infrastructure required, although Cohesion Fund projects were also used for this objective. In this context, the most acute development problems of the area, such as the low competitiveness of the economy; the lack of innovative companies and lack of skilled labour, were rather viewed as lower priorities compared to ‘hard infrastructure’ projects. This is in contrast with the current planning orthodoxy in the EU (e.g. EU, 2010) and the “Europe 2020” strategy, which focus on encouraging investments in R&D and productive sectors as well as the knowledge economy and higher level skills.

Furthermore, it is apparent that even though the priorities between the two programming periods are slightly different, the actual distribution of funds is similar: ‘hard’ infrastructure investments received the vast majority of the funding. For example, in 2000-2006, the overall level of EU funding invested in Lesvos was €237 million (including ESF and locally planned EAGGF), of which more than 50% was allocated to ‘hard’ infrastructure projects, including 30.6% for transport and 22.1% for waste treatment ones (see Table 1).

\*\*\* Table 1 here \*\*\*

In the 2007-2013 period, according to December 2011 data (published in the web pages of the Managing Authority: [www.pepba.gr](http://www.pepba.gr/) and [http://www.kriti-aigaio.gr](http://www.kriti-aigaio.gr/), accessed 15/12/11) most of the budget was again allocated to ‘hard’ infrastructure projects. For example, there are 55 projects selected for Lesvos Island with a total budget €113.6 million and five more projects at the regional level (worth €39 million) that partially include Lesvos (support to SMEs is not included here). Out of these 55 projects, 7 are for roads (35% of the budget of selected projects) and 25 projects for sewage and/or drinking water systems; restoration of open waste disposal sites and general waste management, with take up another 36% of the budget. Private investments that applied and were considered eligible for funding were 108 (2005-2010), with a total budget, including private funds, of €95 million (Table 2, it has to be noted that the actual expenditures are still unknown and public expenditure will in any case be no more than €30 million, but it is unknown how many of these will be completed).

\*\*\* Table 2 here \*\*\*

Six of our respondents commented that such infrastructure projects, mainly roads and ports, were very popular for a number of reasons: (a) they have a clear output ; (b) there is enough technical and managerial expertise to run these projects and this allows good funding flows and indicators for the ROP and national goals as well; (c) local stakeholders consider these projects as “money properly spent” and hence propose them during the drafting of the ROP; and (d) there is a seemingly a strong belief amongst decision makers on Lesvos that transport infrastructure and more generally the construction sector (including housing) can motivate economic development and reduce peripherality.

Ideas of innovation, quality and added value were largely disregarded during the consultation and planning process for the ROP according to a respondent interviewed in the Managing Authority. Indeed, the money earmarked for innovation in the 2000-2006 period was re-allocated when it was not used. Projects and strategies for the conservation and management of the natural and cultural assets of Lesvos have been only partially explored by the ROP in both periods. The funding of the completion of the Museum of the Petrified Forest of Lesvos in Sigri was such a project and the construction of a Centre for Environmental Information in the Natura 2000 wetland of Kalloni another one. The later though did not operate for almost three years after its completion due to the lack of personnel to run the centre, another fact that indicates the different priorities of local authorities.

## Progress of the ROPs

*Τhe 2000-2006 period* -The launch of the 2000-2006 ROP was delayed due to a number of reasons, including significant delays in a number of legislative and management related decisions at the national level for all Greek ROPs. This meant that rather slow progress was made with the implementation of the ROP in the initial years of the period when the so-called “N+2 rule”[[3]](#footnote-3) became a key issue. But, in most of the projects expenditures started a couple of years after the start of the programming period in 2003 or 2004. Thus, as the respondent from the Unit A (planning and evaluation) in the Managing Authority explained:

*“our main concern was to have enough expenditures at the end of the year to satisfy the financial needs and not “lose” any money”*

In addition, several respondents interviewed agreed that many of the calls for tender were delayed and even when they came out some of the projects that were selected were not “mature”, i.e. they could not present expenditures very quickly either due to the inexistence of supporting studies or due to the inability of the final beneficiary to complete the project. In the end, 27 projects were simply cancelled, either due to the lack of appropriate supporting documents, including implementation studies that were incomplete or outdated, or due to the inability of the beneficiaries, typically small Municipalities with limited and inadequate human resources to manage the complex administration required to manage the projects funded through the ROP.

A closer examination of financial flows also reveals that, even if the progress of payments seems to be satisfactory (27% of the budget within the first 3 years of the ROP), more than 50% of this sum came from education infrastructure related projects transferred from the previous programming period (1994-1999), the so called “bridge” projects. During the following years, the ROP was revised three times (and another two in the end) to cancel projects and reallocate funds from one category to another. The most important reallocation was the transfer of the funds for the innovation priority to “less innovative” actions for Small and Medium Enterprises (SMEs). Besides the 27 cancelled projects, 16 projects were not completed during the 2000-2006 period and were transferred into the 2007-2013 ROP, most of them related to infrastructure projects.

Another important issue that emerged relates to the output, results and impact indicators used to monitor the implementation performance of the ROP. The vast majority of the indicators used were output (even though many were marked as “result”). In addition, the impact indicators used did not really correspond very well with the overarching goals of the ROP. For example, “New jobs created”[[4]](#footnote-4) is practically the only ROP impact indicator and issues such as overcoming geographical isolation or population change are not tackled at all. Specific indicators related to key sectors, which were supported by ROP investments, such as tourism and how the supply side was affected are lacking and more importantly if such investments had some impact on demand, e.g. in terms of visitor numbers, is also unknown.

In the same vein, the only information is on the *number* of businesses that were supported and not of their *type* and if/how the competitiveness of the local economy was affected. A notable gap is the inclusion of the geographical specificities of the area and how this affects costs and goals; for example, there is no information on the relative construction per km cost of different road types on islands such as Lesvos compared to the Greek mainland. Moreover, data on the relative cost of creating a new job or start-up company on islands compared to the mainland would be very useful in order to compare the impact of the ERDF funding on Lesvos.

Respondents in the Managing Authority explained that the selection of programme indicators came from a pre-defined national system that allowed very few, if any, changes to suit the specific island context of Lesvos. Moreover, one respondent (an engineer in the Municipality with a lot of experience working with ERDF co-funded projects) stated that in his opinion: *“indicators are not really important; ‘no funds should be returned’ was the motto”*.

*Τhe 2007-2013 period* - In the current period, similar delays were observed. According to December 2011 data the sums of money spent were 17% of the budget for roads and ports and 14% for the “sustainable development and quality of life” “axis” of the ROP with no expenditures, at that time, in areas such as “improvement of tourism services” or “social infrastructure”. Only the support to SMEs axis progressed with selected projects covering 203% of the budget and expenditures covering the budget allocated of €26.6 million. However, this is in part artificial because under the JEREMIE initiative payments are made to banks which manage the payments to SMEs.

For the current period, the ROP indicators were simplified compared to the previous one with “core” output indicators (typically “number of projects financed”) and fewer result indicators (such as “the number of people serviced by sewage networks”). As for the previous period, the point about the ways in which the overarching goals of the ROP really focus on tackling the socioeconomic challenges facing Lesvos are very pertinent.

## The impact of the policy: views from management and beneficiaries

The views of those involved with the planning, management and implementation of the ROP differ depending upon the impacts and the reasons behind the performance of the projects and the expenditures.

The Managing Authority holds a central role in managing the ROP and is involved in its planning, although one of our respondents remarked that *“many things were already decided at the national level”*. This is a key point because many of the processes and decisions are part of a national framework for the management of all co-funded ROPs. This creates a complex system of approvals and decisions that arguably hinders the selection of projects and makes the call for tenders more complicated. In addition, as a respondent from the Managing Authority pointed out, this also creates time delays as: *“inevitably there will be delays, as we have to get approvals from the central authorities or the Ministry even for relatively simple things”*. This issue was also important for the beneficiaries as well. For example, the engineer that runs the technical unit of the University of the Aegean and manages all projects linked to it claimed that:

*“projects in which more than one Ministry and Managing Authority are involved are the most difficult; papers [official correspondence] come and go between them and every decision has to be debated and approved [between the different Ministries]…my calculations say that for each new actor involved in a project, 1 to 2 months are added for relatively simple actions and then 12 to 18 months are added overall…and then they say ‘make expenditures’ in a couple of months to meet the goals of the ROP”*.

This fact that many decisions are made at the national level is critical for another aspect not typically considered of high importance; this is the personal contact with the managers of the projects in the Managing Authority and the rest of the administration involved. This is a crucial point in terms of the links between the three different levels mentioned earlier. For example, regional authorities are in general more accessible to beneficiaries at the local level, especially in an island context. On the other hand, in cases where contact with the central administration in Athens was required it *was* viewed as much more problematic, as the engineer in the Municipality argued:

*“it can be difficult dealing with the central Ministries; for example, the Ministry of the Environment delayed us on many projects… most of the times it was for what seemed like quite simple decisions, but we could get delays of months and the paper work keeps increasing”*.

Another point that emerged during the discussions with the Managing Authority and other stakeholders is related to the overall amount of money available for projects in the area and the region in general. This had a twofold effect on programming and on deciding which projects would be funded. Interestingly, a senior official of the Managing Authority argued that:

*“if less funding was available, we could make better project selections. That is is not to say that less money would produce better results but what we need is more efficient programming”*.

In other words, because there were large sums of money available, especially for infrastructure, the process of prioritising projects according to their expected socio-economic impact and the actual needs of the islands were not very high on the agenda. As discussed earlier, the main priority seemed to be spending the large amounts of money to meet specific targets set by the national Ministries.

Important problems were also reported concerning the procedures related to the incentives to private companies. On the one hand, the system is viewed as too bureaucratic from all involved (the recent introduction of JEREMIE appears to have changed this to a degree). Beneficiaries say that the whole procedure from the selection of companies up to the payment of the funding is very slow. As a private sector beneficiary explained:

*“in 2006, we started the work in our factory and finished it rather quickly, but the final ERDF payment arrived in early 2011... I think that we do not want to be involved again and we will make our own investments and pay for them ourselves. Luckily, we could really afford to wait, others regretted their decision, since they could not make the payments themselves on time and had to borrow or delay other payments”*.

The public organisation (known as DISA) responsible for approving and monitoring private investments to small firms explained that the system was centralised with a lot of national guidelines, safety checks and decisions being made in Athens. The DISA respondent explained that the agency was relatively lacking the necessary qualified staff which *“does not allow us to make things go faster, without compromising all the necessary procedures and decisions”*. Finally, on the issue of ‘innovation’ (e.g. R&D type investments, ICT investments, manufacturing or the creation and operation of “soft” infrastructure) the fact that both periods have a very poor record of support was viewed as a “natural’ consequence of “inherent” characteristics of the businesses of the area, namely their supposedly non-innovative and ‘backward’ character: *“there are no innovative businesses in the area”* was the remark of the DISA respondent.

# Discussion of the key findings

Approaches that evaluate the effectiveness of Structural Fund policies recognise the complexity of the factors that can make similar planning approaches and the same type of projects work better in some areas than others. Boldrin and Canova (2001) claim that there are no clear signs these actually reduce existing disparities and therefore these policies “serve mostly a redistributional purpose, motivated by the nature of the political equilibria upon which the European Union is built. They have little relationship with fostering economic growth” (p. 206). Shutt et al. (2002) also agree with this point, which seems to be an argument of major importance for the Greek case. Dall'erba and Le Gallo (2008) introduce spatial spillover effects in the equation as “estimating the impact of structural funds on regional growth without including the presence of significant spatial effects would lead to unreliable results” (p. 238-9). Batterbury (2006) discusses in length deficiencies of the evidence base for evaluation, as the data used is of poor quality and methodology gaps are evident even in the more experienced Member States, a fact that is of great importance in the Lesvos case study as well.

In Greece the evidence for the impact of ERDF measures is contradictory. According to Lolos (2009) “the empirical analysis reveals the existence of regional convergence in Greece over the period 1990–2005” and “a positive impact of EU structural policy on regional income growth and regional convergence”. But he also recognizes that “Greek regions do not behave independently as geographical location and interregional linkages play a significant role in the growth performance” (p. 225). Halkos and Tzeremes (2010) find “significant inefficiencies” and seem to agree with the Lesvos Managing Authority respondents interviewed that “the quantity of the resources of a prefecture does not necessarily ensure its economic efficiency” (p. 629). In this context, the development of the appropriate mechanisms to make efficient use of resources is of vital importance (Christofakis and Papadaskalopoulos, 2011). For SMEs incentives, Nikolaides et al. (2009) assert that managers of companies who have participated in such measures find the process very difficult and that payments are very late, resulting in a time lag of 4 to 5 years between the approval of the application and the completion of the project.

In this regard, basic socio-economic indicators for the Lesvos NUTS 3 area (Limnos and Agios Efstratios included) reveal negative results during the last decade: GRP per capita data reveal divergence from Greece; production in agriculture, manufacture and tourism is declining; the natural balance of the population is still highly negative; the population is ageing and the active population rate is low. Even tourism, which was considered for many years as an emerging activity that could replace agriculture is declining: the number of hotel beds is roughly 8,300, compared to 8,700 in 2001 and the number of nights spent by foreign and domestic tourism is about 650,000 compared to 811,000 in 2000. The level of education is low, R&D expenditures well below the national average, etc. Clearly then, such socio-economic development trends would suggest a negative sign on the effectiveness and impact of the ROPs. However, the answer to this question has two different parts (Graham and Hart, 1999): would the situation be worse without the ROPs? And then were the ROPs efficient?

In fact, the answer to the first question was unanimous for all the respondents in Lesvos. For example, according to one Municipality respondent, the ERDF funding has ensured that: *“much needed infrastructure would not have been realized otherwise”* At the same time, again the overall opinion of the respondents was that the Programme was not as effective as it could be. Several reasons were suggested for this.

First, the complexity of applying, managing and completing the projects in the ERDF legislative and management framework was mentioned by all respondents. This was especially the case for national rules and regulations, which created additional layers of administration. It is true that the Greek national context is very complicated and time consuming, even for projects that are considered “mature” and with beneficiaries familiar with managing them. This is a factor, however, that is relatively neglected by the academic literature on the implementation of ERDF projects.

Second, the nature of the local economy was mentioned by some of the respondents, mostly from the “managers” and not by public or private beneficiaries (Hadjimichalis and Hudson, 2007). In this regard, the businesses that operate in the area and their owners are “conservative”, “non-innovative”, etc. This is a line of argument popular in the literature (e.g. Bateira and Ferreira, 2002 for R&D in Portugal and Nikolaides et al., 2009 for SMEs in Greece). Conversely, beneficiaries themselves claim that this is misleading, since, even if ideas do exist (a number of innovative and successful businesses already operate in tourism and services) navigating the complex processes to access the funding is not easy. Indeed, the findings suggest that the governance context in Lesvos is rather unsupportive and the lack of public or private facilitators was noted.

Third, the type of projects financed is another key factor. Most of the ROP budget is allocated to “hard” infrastructures, transport and environmental. Even if such projects can be beneficial for other Greek regions according to Lolos (2009), “some (mainly core) regions will benefit more from it than others (mainly peripheral)” (p.213). Lesvos is both insular and peripheral; however, such “hard” infrastructure investments dominate and are considered as the best way for a local, regional or national administrator to demonstrate that he/she has “provided” for the area. Having said that, it is not a coincidence that on Lesvos the know-how and expertise in managing and implementing such projects is rather high, especially when compared with other type of ERDF projects. Moreover, since the highest priority is to have regular and on-time payments, such projects are preferred by all involved, as they spend lots of money and relatively quickly (with the exception of court related delays due to the unwillingness of owners to sell their property).

Fourth, what our respondents in the Managing Authority alluded to, which also emerges from the analysis is actually a ‘planning gap’, as the initial recognition of the geographical and socio-economic challenges facing the island tend to confuse ‘cause and effect’. In other words, the limited attractiveness of the island for innovative companies and relative lack of skilled labour which in turn affects productive capacity and competitiveness has been consistently diagnosed as a problem of having a lack of “hard” infrastructure. In addition, relative population decline on the island is rather acute, especially for rural areas, but this the result of the “economic lagging” of the island, with the absence of economic dynamism and activity that would provide sufficient employment (see also Hadjimichalis, 2011). It is not due to the lack of sufficient infrastructure. Cases from other Greek islands such as Rhodes and Kos prove this point, with continuous population increase (+66% and +33% respectively from 1951 to 1991 compared to -14% for Aegean islands at the time and 19% and 17% respectively from 1991 to 2001, a period of overall population increase for Aegean islands of 11%) due to the presence of an economic activity that offers employment, tourism. Even if the effects of insularity could be made less acute with the popular transport infrastructure projects, this would probably expose the small and vulnerable businesses of the island to national and international competition and therefore not provide a comparative advantage to enterprises of the area. Most of the respondents fail to see this point.

Fifth, the links and alignment between EU funds could be improved, especially between ERDF and rural development projects and plans, including the Leader initiative. Signs of incoherence for both ROPs between the goals and the actions are evident. In addition, monitoring the implementation of the ROPs needs to be improved. Of course, quantifying the results and impacts of a diverse set of actions and projects through a few indicators is not an easy task. This is a general line of criticism to Structural Funds and the estimation of their impacts (Batterbury, 2006). The European Commission has responded by making planning documents and setting rules before each period, but as the Lesvos case study demonstrates, these seem to have not been completely understood and practiced at the regional and local management level.

Lastly, the important issue of the overall impact of the ROPs is also related to the broader socio-economic challenges facing Lesvos and the Greek economy in general. The ongoing crisis in Greece has had a negative impact on all economic indicators. The overall impact of the ROPs, however, should not be judged as a result of the current crisis. Moreover, ERDF was viewed as a crucial funding stream for Lesvos by all stakeholders interviewed. At the same time, although co-funded projects are viewed as an important tool for economic recovery nationally and regionally, nevertheless again the discussion seems to be on the expenditures (as a percentage of the budget) and the funds that are “lost” and not on the effectiveness of the projects that are financed in relation with the socio-economic challenges.

# Concluding remarks

For the European level, the Voreio Aigaio region (including Lesvos) is one of the peripheral areas of Europe, with low levels on economic development and territorial cohesion. The overall regional development policy goals are to divert funds there to improve this situation and enhance territorial cohesion, while keeping the transparency and accountability rules of the EU Funds.

For the national management level, the goal is to meet financial timetables and keep money flows by making regular payments on time. At the same time, the national context allows firm control of most of the administrative processes, as even if projects become eligible at the regional level with a decision from the Managing Authority and the head of the Region, the approval of at least one Ministry is required. Even in the cases where this approval is a mere formality, it nevertheless sets the tone for who is really “in charge” of the ROP and adds to an already complex, bureaucratic process.

The regional management level is closely linked with the national one, in the sense that the overarching priority at that level as well is to use all the allocated money in accordance with the planned timetable. Their role is very important as they are the intermediaries between the beneficiaries and the higher management levels and are locally available for questions, remarks and assistance. In this sense they get the pressure from all sides to keep the funds flowing, to make decisions fast and observe the rules and procedures of the national and European context. For planning, they have to be able to rise above local power games and priorities and make decisions at the Regional level.

The beneficiaries of the projects are not uniform in their goals and objectives. Public beneficiaries, and especially elected ones, are typically interested in completing projects that will have an immediate effect to demonstrate as their “work” whilst at office. Private beneficiaries generally seek funds to improve their operation or finance their start up.

It would seem that the system is complex, but could be manageable if the different levels of the multi-level system could communicate and find ways to make their objectives compatible with each other. The case study presented here though, demonstrates that this is not the case and the results on the effectiveness of the ROP are important. The national and in a lesser degree the regional level have set up a context that is very complex, requires time that is not available and appears to be more interested in maintaining the role of the central government. Stories of corruption and fraud make managers even more reluctant to take decisions without the adequate checks and paperwork being collected.

Regional players with political power push their own agendas with priorities and the meetings of the Monitoring committee are strife with accusations of “favours” for one area or locality against another. A sense of common cause is not established at any level and this underlines the lack of a common managerial culture through all governance levels about regional development planning and implementation and undermines trust and effectiveness of the process.

Lastly, beneficiaries tend to view the process of applying, getting the project done and receiving the money as a *“labyrinth…more and more papers and rules and then they say that the money will come in two months and we get it after two years”* was the comment of a private sector respondent.

In conclusion, Lesvos is a remote and peripheral island in the European and Greek context. It is also less developed, with a fragile and dependent economy and an aged and declining population. Besides these features, accessibility to and from the island is an important handicap that enterprises and residents have to overcome, including the cost of transport. This geographical context plays a dominant role in determining socio-economic conditions and is more often viewed as a ‘handicap’ by local population, administration and stakeholders.

How can these priorities be addressed? The reconciliation of the different levels of this multi-level system seems to offer possible solutions, as one of the major issues that the findings demonstrate is that a sense of common cause is not established between the different levels, nor a common managerial culture. Trust is therefore in short supply between the levels, but also within each level. The implementation of more effective planning procedures and simpler management rules at the national and the local level could help the different actors to focus on the implementation and the needs of the beneficiaries rather than completing reports and forms for the national and European ‘red tape’. Different strategies and a differentiated policy mix of measures at the European level properly adjusted for areas with specific geographical characteristics could also assist national and regional authorities to plan by taking these specificities into account from the beginning and not planning despite or *against* them.

# Acknowledgments

The research for this paper was financed by the EC in the context of the “Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas” Contract: 2010.CE.16.0.AT.059). The views expressed are those of the authors and do not represent the official views of the European Commission. Volume 1 of the approved Final Report is available here: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final1.pdf> and Volume 2 of the Final Report here: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final2.pdf>. We would like to thank all the respondents very much for their assistance and especially the people in the Managing Authority of the ROP on Lesvos.

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1. See: http://ec.europa.eu/europe2020/index\_en.htm [↑](#footnote-ref-1)
2. See: <http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/expenditure_final.pdf> [↑](#footnote-ref-2)
3. This rule means that ERDF funds allocated in a particular year have to be spent, at the latest, two years later otherwise the funds will be deboursed [↑](#footnote-ref-3)
4. The overall goal for the indicator was 285 jobs for Axis one (achieved at 84% according to the final report of the ROP); 158 for Axis two (achieved at 125%); and 333 for Axis three (achieved at 133%), although how these jobs were measured and for how long after the end of the project they were still active is not mentioned. [↑](#footnote-ref-4)